

Gephardt Says Democrats Will Be 'Aggressive' Over Trade

Known for his firm positions on trade issues, Representative Richard A. Gephardt of Missouri sponsored tough legislation last year that influenced the omnibus trade bill signed in August by President Ronald Reagan. Mr. Gephardt, 47, who sought the Democratic presidential nomination, was elected last week to his seventh term in the House, where he is chairman of the Democratic Caucus. In Tokyo to launch a promotional project for the exports of small and medium-sized U.S. companies, he spoke Sunday with Patrick L. Smith of the International Herald Tribune.

Q. You won your election by a substantial margin, but so has George Bush. How does the U.S. presidential election reflect on the mood in America, particularly with regard to U.S. trade problems?

A. In essence the election was a ratification of present policy or at least [indicated] a hope that the present economic situation will continue. I do believe there

is a good deal of unrest and dissatisfaction with regard to trade policy. Americans feel we are losing good-paying jobs to other countries and that our standard of living is ultimately threatened. However, the unemployment rate, the inflation

MONDAY Q&A

rate and all of the other indicators were such that people were not willing to change the presidency.

Q. What is the Democratic strategy going to be in Congress? Many commentators have noted that Mr. Bush may have a more difficult time with Congress than Mr. Reagan. Is it going to be a tough relationship?

A. We're going to be aggressive and assertive on the Democratic side, for instance on trade policy. We've passed a new trade bill, which partly reflected our dissatisfaction with the Republicans' lack of aggressiveness. We will be watching closely to see that the administration is enforcing that bill and using it to force open foreign markets.

Q. And on the budget question? A. There will be a good deal of difficulty in agreeing on how to deal with the deficit. Bush ran saying he would not raise taxes, cut defense spending or reduce entitlements. If that is the stance, I can't see much progress on deficit reduction. Ultimately the budget forces everything else off the agenda. You can't do much about the environment, education or health care if you don't have money, and it's not likely we'll attack those problems very vigorously.

Q. The administration has been very comfortable with Japan over the past year. Secretary of State George P. Shultz called it the best year he could remember in bilateral relations. What is your view?

A. I'm glad he's satisfied with a \$60 billion trade deficit. I can't imagine how anyone could be. We do have a strong relationship, and no one is suggesting that he damaged or changed. Where the administration falls down is in being more aggressive about getting the Japanese to open their market. We have cut funding for the Foreign Commercial Service [which aids U.S. companies abroad]

and for almost every other part of the government that could help us export. Q. Mr. Shultz was talking specifics. The dispute over beef and oranges has been solved, construction access has been...

A. These issues have not been solved. There has been limited progress on both fronts. There have been statements and agreements, but we still haven't realized the ability to enter those markets that we want. Beyond that, the real challenge is how we can sell more manufactured items.

Q. Elsewhere in the region, one senses increasing restiveness with U.S. officials who lump such countries as Taiwan and South Korea together with Japan.

A. They should be treated separately, but they're not Third World countries. They've come a good way past that, and they have to open their markets as well. I've also been concerned about their actions with regard to monetary reform. The Treasury recently published a report saying that South Korea and Taiwan had been negligent in not letting their currencies float.

Q. The Taiwan dollar has appreciated

more than 40 percent over the past couple of years. Isn't that sufficient? A. The point is to let the market determine that, and not have it be calculated by the Taiwanese to achieve some economic goal.

Q. Are you concerned about anti-Americanism in the region?

A. We all gain from open markets. Rather than be afraid of opening them, we should look forward to them. I have high respect for the Japanese, the Taiwanese and the South Koreans. We shouldn't confuse disagreement with disrespect.

Q. There are discussions in both Washington and Tokyo on graduating the bilateral relationship into something more institutional—a free-trade agreement or something similar. Is this important to you?

A. It's an ultimate goal. As a near-term goal it's too ambitious. We can begin talking about a broader range of issues, rather than one commodity at a time. But to begin negotiating a free-trade treaty now is asking too much. It would raise expectations too high.

Intellectuals Denounce Planned Soviet Shifts

By David Remnick

Washington Post Service

MOSCOW — Leading figures in what has long been considered President Mikhail S. Gorbachev's prime constituency — the Moscow intelligentsia — have denounced the Kremlin leader's proposed changes in the Soviet political system as a dangerous step backward.

The sharp attack on Mr. Gorbachev's constitutional reform program came at a meeting Saturday of a group called "Moscow Tribune," whose membership includes some of the best-known and most influential pro-reform intellectuals in the capital, including the playwright Mikhail Shatrov, the historian Yuri Afanasyev, the poet Andrei Voznesensky and the human-rights activist Yelena G. Bonner, the wife of the physicist and dissident Andrei D. Sakharov.

Chief among the criticisms raised by members of the group was that the draft laws on political reorganization defy Mr. Gorbachev's stated intention: to transfer power from the Communist Party to the people in the form of elected local governing bodies.

Such laws, they said, would prevent such nonparty groups as the recently emerged popular fronts in the Baltic republics from running candidates for the Soviet legislature and do nothing to prevent one

man from holding the top position in the government and in the party. Since Oct. 1, Mr. Gorbachev has held both posts, and he is expected to retain them after government elections set for the spring.

"This will not suffice," Anatoli Butenko, a professor at Moscow State University and a well-known writer, told the gathering. "The vast majority of the people are not party members, and they took no part in all of this. The party decided everything even though they constantly talk about democratization. What kind of glasnost is this?"

Mr. Afanasyev, the historian Mikhail Gelfer and a number of other intellectuals formed Moscow Tribune last month with the hope that it would study and criticize government actions.

Although the government has called for a "national discussion" on the constitutional changes, Moscow intellectuals and activists in the Baltic republics are concerned that the debate will be too short and too late.

In his remarks, the historian Leonid Botkin said the party was "badly mistaken" to have issued complete draft laws without first consulting nonparty jurists, activists and scholars, and then to have called for a vote on the new proposals in the Supreme Soviet, or legislature, just a month later, on Nov. 29.

"It's impossible to understand how, in a time of radical reform, they could have taken such an approach," Mr. Botkin said. "We have been waiting a thousand years for democracy in this country. Why can't we wait another three



SAKHAROV IN WASHINGTON — Andrei D. Sakharov, the most prominent Soviet dissident, being greeted in Washington by Lynda Yevsyukov, a Soviet immigrant. Mr. Sakharov, who was awarded the Nobel Peace Prize in 1975, is scheduled to meet Monday with President Ronald Reagan.

months? But the train has already left the station."

The Soviet government has rewritten its constitution four times since the 1917 Bolshevik Revolution. The last revision came in 1977 under President Leonid I. Brezhnev, and Western scholars say it assigned more power to the Communist Party than even the 1936 constitution framed under Stalin.

Leonid Volkov, a writer active with informal political groups in Moscow, agreed with other speakers on the need for discussions and care in formulating the new constitution.

"There never really was a constitution in this country before," he said.

"In a sense," he added, "this is the first. A constitution is not just something written on a piece of paper, but a collection of legal principles, ideas and relationships. And these questions are just not worked out."

Reaction to the draft laws from the country at large could have extraordinary political repercussions for the Kremlin. In Estonia, for example, hundreds of thousands of signatures have been collected for petitions protesting the constitutional changes, and an emergency session of its legislature scheduled for Wednesday may consider proposals to exercise veto power over directives from Moscow.

The chief national newspapers,

Pravda and Izvestia, have carried only mild criticism of the draft laws, but the letters column in the weekly Moscow News has indicated that concern about the changes is not limited to members of Moscow Tribune.

One correspondent, identified as a party member and construction engineer from the Black Sea city of Sochi, wrote recently: "The proposed legislation says, 'As a rule, ballots should list more candidates than there are seats.' I suggest that Article 100 in the constitution and Article 9 in the proposed law on election of people's deputies should say it straight: 'There should be at least two candidates on the ballot for every seat.'"

Key Route Said Cut in Afghanistan

New York Times Service

LAHORE, Pakistan — Afghan guerrillas say that they have blocked the road north from Kabul to the Soviet border on an offensive that has killed 20 Soviet soldiers. The road, the Salang Highway, is important in supplying Kabul with arms and other supplies and as an exit route for heavy Soviet equipment.

There was no independent confirmation of the report, issued on Saturday by the Islamic Society guerrilla organization, which said five guerrillas had died in the fighting.

The guerrilla commander in the region had threatened to block the route a week ago in response to Moscow's introduction of new planes and missiles in Afghanistan and its announcement that it was suspending troop withdrawals.

The Soviet Union has pledged in accord signed in Geneva to complete the withdrawal of its forces by Feb. 15.

Soviet land convoys have to use the Salang Highway and had made their way out of the country unimpeded until the guerrilla offensive.

2 Flee to West Germany

The Associated Press

HANNOVER, West Germany — Two East Germans climbed border fences and escaped to West Germany near the West German town of Göttingen during the weekend after their plan to ram a truck through frontier barriers failed, the police reported.

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U.S. Airlines Dropping a Popular Discount Fare

By Agis Salpukas

New York Times Service

NEW YORK — Most major U.S. airlines plan to sharply curtail one of their most popular fares starting Tuesday as part of a broad overhaul of the discount programs

that have saved business and other travelers hundreds of millions of dollars.

The change will end discounts on tickets that are reserved three to seven days in advance, forcing people traveling on short notice to pay much higher regular fares.

The change comes just before the Thanksgiving period and the start of the heavily traveled winter holiday season.

The exact available discount fare has a 14-day advance-purchase requirement and other restrictions, such as staying at the destination over a weekend. Such conditions mean that most business travelers will not be able to use the fares.

The discount to be eliminated amounted to as much as 25 percent on some heavily traveled routes. For example, the Newark-to-Houston fare with the discount was \$305 one way, compared with a regular coach fare of \$405.

The move raises once again the concern that deregulation of the airline industry may in the long run force passengers to pay higher fares than they would have when the industry was regulated.

"I'm troubled," said Alfred E. Kahn, who was chairman of the Civil Aeronautics Board in 1977 and 1978 when the industry was deregulated.

Mr. Kahn said certain types of passengers, such as business travelers, were paying much higher fares, even when adjusted for inflation, than they were when the industry's fares and routes were regulated by the board.

He said that "if it gets bad enough," the government might

have to set ceilings on fares. But he said it was unclear how new price controls could be imposed equitably and yet keep the competitive atmosphere established since deregulation.

"It's a nightmare," he said. "The trouble is that it's almost impossible to do."

Malvin A. Brenner, an economist who once worked for American Airlines and Trans World Airlines, said the higher prices were "unfair to the customer." He said the large carriers were using the freedom of deregulation to gain monopolies on the markets they serve.

He and Mr. Kahn acknowledged that prices were still lower overall than they were before deregulation, with inflation taken into account, but they noted that this was largely because of discount fares and their wide use.

Regular coach fares will not increase because of the changes, the airlines said.

The move is being led by one of the nation's largest airlines, Continental, which put the fare restructuring into its computer system late last week. The change is expected to affect most major markets in the country.

Other big carriers, like Delta, American and Northwest Orient, have acted in recent days to eliminate the short-notice discount fare

on Tuesday in markets where they compete with Continental.

Ned Walker, director of public relations for Continental, said the airline plans changes in other discount fares next week. Those changes are expected to involve the Massaver fares, a widely used discount ticket with advance purchase and minimum stay requirements and cancellation penalties.

Mr. Walker said that in most instances, the Massaver fares on long trips will go up while the fares on short trips will go down.

Mr. Walker said Continental took the action because it had solved its service problems and no longer needed the discount fares to compete with other carriers. For more than a year, Continental had many flight cancellations and a very high complaint rate, which it has brought down considerably in recent months.

Continental is owned by the Texas Air Corp., which also owns Eastern Airlines.

In the past, Continental, which has the lowest operating costs of any major carrier, often cut fares to gain market share from its competitors.

This year the carrier, which has been seeking to stem its losses, indicated some fare increases that other carriers copied.

Citing the Costs, Managua Delays Elections

Washington Post Service

MANAGUA — The government plans to postpone until 1990 municipal elections that were expected next year because it cannot afford to hold them, Luis Carrion Cruz, the minister for economic affairs, said in an interview.

Mr. Carrion, one of the nine top leaders of the Sandinista National Liberation Front, the government

party, said that the economy was in "extremely critical" condition after a hurricane in late October caused more than \$900 million in damage.

The government had pledged to hold elections in 1989 to choose mayors for the hundreds of towns and cities in Nicaragua. In an interview in June, President Daniel Ortega Saavedra said the vote would probably be held in March or April.

Opposition political parties had hoped to capitalize on discontent over the economy to win many of the local elections.

But Mr. Carrion said last week that there was substantial agreement among Sandinista leaders that it would be too costly to hold mayoral elections next year and presidential balloting, as required by the constitution, in 1990. The current plan is to hold them simultaneously, he said.

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WORLD BRIEFS

Namibia-Angola Talks Are Extended

GENEVA (Reuters) — Angola, Cuba and South Africa decided Sunday to extend U.S.-mediated talks on peace in Angola and South-West Africa into an unscheduled fourth day and planned their first joint meeting of the current negotiations.

Sources said the joint session would be to discuss progress made by Chester A. Crocker, the U.S. mediator, in separate meetings with South African, Cuban and Angolan representatives.

The negotiators are trying to agree on a timetable for the withdrawal of an estimated 52,000 Cuban troops from Angola in return for the independence of South-West Africa, also known as Namibia, after 73 years of South African rule.

U.S. Anti-Drug Campaign Criticized

WASHINGTON (WP) — Despite more than \$100 million in funding over the past four years, U.S. anti-drug efforts in Colombia and Bolivia have been almost entirely ineffective, the General Accounting Office reported. It said the cultivation of drug crops has increased dramatically in both countries.

The strongly worded report contrasts sharply with State Department claims that programs being funded through its Bureau of International Narcotics Matters are achieving some success in Latin America. During the last fiscal year, the bureau provided \$98.7 million in anti-narcotics aid to 11 nations, including \$15 million to Bolivia and about \$11 million to Colombia.

The report said, however, that these programs have had so little impact that the amount of South American production of coca — from which cocaine is made — doubled between 1982 and 1987. The report said that Peru, Bolivia and Colombia accounted for almost all of the increase.

Brazil Refinery Strike May Spread

RIO DE JANEIRO (AP) — Tens of thousands of oil refinery workers were on strike for higher wages Sunday. Eight of Brazil's 10 refineries were at a standstill and stocks of fuel running low.

"The strike continues and adhesion is higher daily," said João Borges, director of the Rio de Janeiro Petrol Workers' Union. "We expect that by Monday, the remaining two refineries will be forced to close and offshore platform workers will also cross their arms."

About 42,000 of the country's 60,000 oil refinery and platform workers went on strike Friday. They seek pay increases of 154 percent to make up for losses caused by inflation, which is running at 28 percent monthly.

One Dead in Lebanon UN Post Siege

JERUSALEM (UPI) — An Palestinian gunman who was believed to be under the influence of drugs or alcohol killed a Lebanese interpreter on Sunday at a UN post in southern Lebanon before being overpowered by Finnish soldiers. The capture of the man ended a 19-hour standoff.

The gunman, along with three other men and a woman, had overpowered a guard Saturday night at the post near Taibe, Lebanon, a spokesman for the UN Interim Force in Lebanon said. They were armed with hand grenades and automatic weapons, the spokesman, Timor Goksel, said. He said the intruders apparently were lost and had demanded to be taken to the Lebanese port city of Sidon.

Negotiations were begun, and four of the intruders surrendered Sunday, Mr. Goksel said. They said they were members of the Fatah faction of the Palestine Liberation Organization. The Moslem Voice of the Nation radio, monitored in Beirut, quoted security sources as saying that the group apparently was on a mission to attack Israeli targets near the Israeli-Lebanese border, which is less than two miles (three kilometers) from the UN post.

El Salvador Rejects Leftist Truce Call

SAN SALVADOR (Reuters) — Colonel René Emilio Ponce, chief of the Salvadoran armed forces, has dismissed a call by leftist rebels for a truce during the Organization of American States assembly here next week.

"I have received no orders to suspend operations," Colonel Rene Emilio Ponce said Saturday. He said captured rebel documents spoke of turning the area of the assembly venue into a "war zone" when a five-day truce called by the rebels ended on Friday.

Senior commanders of the Farabundo Martí National Liberation Front in Mexico City declared the truce beginning at midnight Sunday and appealed to delegates to back their call for a negotiated solution to the war, which has claimed 65,000 lives in the past decade.

Kohl to Meet With Reagan and Bush

BONN (Reuters) — Chancellor Helmut Kohl of West Germany will say farewell to President Ronald Reagan and greet the future president, George Bush, during a trip to the United States that begins Monday. A government spokesman, Friedhelm Ost, said Mr. Kohl would see Mr. Reagan and Mr. Bush on Tuesday, making him the first foreign head of government to meet the president-elect.

Mr. Kohl is to give the keynote address Monday at a New York ceremony marking the 80th birthday of Simon Wiesenthal, head of the Jewish Documentation Center in Vienna.

Kin of President Is Slain in Haiti

PORT-AU-PRINCE, Haiti (NYT) — A brother-in-law of Haiti's president was found murdered Saturday to his car on a busy street in the capital, the police said.

Officials identified the slain man, whose body was reportedly riddled with bullets, as Louis-Marie Bonnet. His wife is a sister of Lieutenant General Prosper Avril's wife, Marie-Ange Nazon.

There was no immediate statement from the presidential palace, where General Avril, a longtime confidant and adviser to the Duvalier dictators, was installed in a coup in mid-September.

For the Record

Yunnan earthquake damage was estimated by Chinese regional officials Sunday at more than \$268 million, but they said the death toll of 938 was not expected to rise substantially. (AP)

TRAVEL UPDATE

Italian Air Controllers Call Strikes

ROME (AP) — Alitalia Airlines and its domestic subsidiary, ATI, announced that dozens of flights would be canceled Monday and Tuesday because of strikes called by air traffic controllers.

All national and international flights to and from Milan, Turin, Genoa and Pisa will be canceled from 7 A.M. to 7 P.M. Monday during the walkout. On Tuesday, flights to and from all Italian airports, including Rome's Leonardo da Vinci airport, will be canceled because of a nationwide strike from 7 A.M. to 5 P.M.

U.S. Agency Offers Booking System

NEW YORK (NYT) — A computerized booking system for hotel guests allowing them to make hotel, airline or car rental reservations in their hotels will be introduced Monday by a Miami-based travel agency. Edd Helms, founder and president of Hotelscopy Inc., said that the system, called Hotelscopy, would allow hotel guests to make reservations by calling a central reservation clerk in Miami through a toll-free number. After the clerk checked the person's credit, a satellite printer in the guest's hotel would then produce the appropriate tickets. Airline tickets come with boarding pass and seat assignment.

A private ferry service between Boston and Martha's Vineyard has been denied a new license to operate by the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority. (NYT)

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

- MONDAY: Colombia, Guinea-Bissau, Jordan.
- TUESDAY: Brazil.
- WEDNESDAY: West Germany.
- THURSDAY: Zaire.
- FRIDAY: Haiti, Morocco, Oman.
- SATURDAY: Belize, Mali, Monaco, Oman, Puerto Rico.
- SUNDAY: Mexico.

Source: Morgan Guaranty Trust Co., Reuters

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Canadians Can't Be Had for a Song

As Mulroney Is Now Finding Out

By Herbert H. Denton

Washington Post Service

TORONTO — When Brian Mulroney was a poor boy, growing up in a backwoods Quebec mill town that produced newspaper for the Chicago Tribune, he would be summoned for command performances whenever the newspaper's legendary owner, Colonel Robert R. McCormick, came to visit.

With a fine soprano voice, young Brian would stand on a piano in the dining room of the town's one fancy hotel and sing "Dixie" and other Irish ballads for the delighted colonel, who would reward him with tips.

Years later, in 1985, when Mr. Mulroney became prime minister of Canada and President Ronald Reagan came up on a state visit, he stood on a stage with Mr. Reagan and sang in a rich baritone, "When Irish Eyes are Smiling."

Mr. Mulroney revels in those displays of musical affection for American friends, but the memory makes many of his countrymen cringe. For them, his singing suggests a certain servility and now, as they naggingly fear that he may be too eager to please the Americans.

This anguish drives the concern of Canadians about Mr. Mulroney's commitment to an independent Canada. It hangs over the hotly contested political campaign for the Nov. 21 elections in which the U.S.-Canadian free trade agreement he negotiated with Mr. Reagan has become the central, highly emotional issue.

The pact, which would take effect Jan. 1, proposes removing virtually all hindrances to the flow of goods between the United States and Canada over the next decade.

Mr. Mulroney began the campaign Oct. 1 with a strong early lead but fell sharply in the polls after his opponents launched an all-out attack, accusing him of "selling out" Canada in the deal.

Although they cite no hard evidence from the agreement, the opposition Liberal and New Democratic parties have convinced large numbers of Canadians that the pact threatens Canadian sovereignty and puts in jeopardy the country's generous social programs, according to several polls.

Mr. Mulroney adamantly denies this, and nearly all experts who have closely examined the agreement concur. But he is having a hard time convincing the electorate. Acknowledging voter mistrust of the prime minister, Bill Fox, one of Mr. Mulroney's chief advisers, said: "They still believe he's singing for the colonel."

Opponents argue that the removal of trade barriers would inevitably force Canadian firms to harmonize such things as costs and employee benefits with the practices of U.S. companies.

Canadians pay higher taxes than Americans do to support an array of social programs, the most cherished of which is a government-supported universal medical insurance program. But opponents say this would be unlikely to continue if both countries are more closely integrated economically.

The critics have also seized on a section of the pact that calls on Canadian and U.S. negotiators to agree on definitions of fair and unfair export subsidies, a move that critics say could force Canada to abandon many social services not available in the United States.

Most Canadians tend to view the United States with a complex mixture of admiration, envy and fear. They think Canadian-U.S. relations got too prickly during the 11-year reign of former Prime Minister Pierre Trudeau. Now they are concerned that Mr. Mulroney has got too loose.

The political campaign also comes at a time when English-speaking Canadians, especially artists, scholars and intellectuals in Ontario, are groping to define a Canadian identity.



Prime Minister Brian Mulroney meeting a supporter at a campaign rally in Quebec City.

speaking Canadians, especially artists, scholars and intellectuals in Ontario, are groping to define a Canadian identity.

The prospect of closer economic relations with the United States that could lead to greater political and cultural integration has become the catalyst for a national debate on what is unique about Canada and what is threatened.

Unlike many of his countrymen, and many of his predecessors as prime minister who fought with Americans, Mr. Mulroney has always felt comfortable with Americans. He is particularly fond of the Horatio Alger story of rags to riches success, which in many ways mirrors his own.

Mr. Mulroney also has a flashy style and a penchant for boasting and exaggeration, which is not held against him in Quebec but which causes him problems in English-speaking Canada. His gifts as a salesman and a deal maker exacerbate suspicions about him.

"It is Mulroney's singular misfortune on television to look phony even when he's being natural," Jeffery Simpson, a columnist for the Globe and Mail of Toronto, wrote in a recent, mostly favorable magazine portrait of the prime minister.

A poll by the Canadian Broadcasting Corp. released Thursday found that exactly half of all voters felt that Canadian political independence was at risk and nearly as many worried about the impact of the trade agreement on their social programs.

Although a Gallup Poll published Monday put the Liberal Party ahead of Mr. Mulroney's Progressive Conservatives, other opinion surveys, including polls released by CBC and the Globe, have indicated that the two parties are now running neck and neck, with the New Democrats a distant third.

The Liberals have made major inroads in Ontario, a bastion of Canadian nationalism, and in Atlantic Canada where voters in the

area's poorer provinces are fearful that the trade agreement might mean the loss of government subsidies that bolster their economies.

The Conservatives are still strong in western Canada, which is rich in natural resources, and in Quebec, where because of the French heritage there is less fear that closer economic relations with the United States will mean a loss of political identity.

But residents of Quebec have become more concerned recently over charges that social programs are threatened, and many regard the fight for Quebec to be the most important.

One possibility is that no party will win a majority of seats. This would more than likely spell the death of the trade agreement.

Significantly, all the major polls indicate that most people rate Mr. Mulroney's competence as prime minister higher than that of his adversaries, although he gets low marks for honesty and likability.

Voters Doubt Bush Can Avoid A Tax Increase, a Poll Shows

By David S. Broder and Richard Morin

Washington Post Service

WASHINGTON — American voters may have read his lips, but they still doubt that President-elect George Bush will manage to keep his campaign promise not to raise taxes, according to a recent Washington Post poll.

Almost eight of 10 people in a survey of 599 likely voters, who were interviewed for four nights ending on Election Day, said they would like to see no tax increases in the next four years. But only one in three expected to see that hope fulfilled.

Those who supported the Democratic presidential nominee, Michael S. Dukakis, were virtually as eager for a tax freeze as Bush backers. But they were dubious, and the Bush backers even more so, that the next president would be able to avoid a tax increase.

The survey showed that, if the American people could set the agenda for the Bush administration and the 101st Congress, the top items would be:

- Effective programs to fight the drug problem.
- Another major nuclear arms reduction agreement with the Soviet Union.
- More federal aid to help clean the environment.
- A 50-percent reduction in the U.S. budget deficit.

On a list of 14 promises made by one or both candidates in the cam-

paign, those four commanded the highest support.

Bipartisan majorities of about 90 percent or more said they hoped those goals would be met. But their expectations varied enormously. Only one-third expected to see the budget deficit cut in half, while two-thirds or slightly more thought that the drug, environmental and arms-control goals were realistic.

There was hardly any difference between Bush and Dukakis supporters in their desire for action in those four fields.

The House majority leader, Thomas S. Foley, a Washington Democrat, said that the survey suggested "plenty of areas of common approach" for the president-elect and the new Congress. But he said the agenda was "largely unaffiliated" because Mr. Bush ran "such a negative campaign."

A possible signal of future trouble for Mr. Bush can be found in the weak support shown for his stated goal of providing more money to develop and test the Strategic Defense Initiative championed by President Ronald Reagan.

By 56 percent to 36 percent, the respondents said they had no desire to see that happen. Mr. Dukakis

had labeled the "star wars" program "a fantasy," and his supporters were opposed by almost 4 to 1 to greater spending on it. But among Bush supporters, SDI commanded only a 5-to-4 advantage.

Freezing taxes was part of a second tier of agenda items, each commanding support from three-fourths or slightly more of the voters. Restoration of voluntary prayer to classrooms, an issue Mr. Bush took over from President Reagan, shared this category with two items that Mr. Dukakis promoted in his losing campaign: health insurance for all employees and their families, and legislation that would make it easier for students to borrow money for college and repay it from future earnings.

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Guatemala Rights Violations Reported to Increase

By Lindsey Gruson

New York Times Service

GUATEMALA CITY — Human rights violations, including kidnappings, torture and murder, have sharply increased in recent months, especially in rural areas where government authority is weakest, according to rights monitors, Roman Catholic Church officials and Western diplomats here.

"In spite of two and a half years of civilian government, Guatemala remains one of the worst human rights violators in the hemisphere," said Anne Manuel, an observer for Americas Watch, a privately financed rights organization based in New York.

While even close advisers to the president acknowledge that he is unable to control the army, they say that the administration of Mr. Cerezo, a Christian Democrat, is a first, small step toward building a free society.

"This is a transition government," said one of Mr. Cerezo's advisers, who asked not to be further identified. "We haven't changed the structure of violence, but we've begun to vaccinate the society against the extremes. The human rights groups are naive when they demand overnight changes."

Spokesmen for the government, which ended 16 years of often brutally repressive military rule, disputed charges that the political violence was growing.

They said the increase in the number of murders was part of a crime wave, which rightist newspapers are sensationalizing.

Colonel Luis Arturo Isaacs Rodriguez, chief spokesman for the army, compared the killings to gang violence in Chicago in the 1920s and '30s.

He argued that the army cherished the country's embryonic international standing, which would suffer if the military were linked to new human rights violations.

And he traced the murders to leftist extremists.

According to one monitoring group, the Center for the Investigation, Study and Promotion of Human Rights, 75 people were assassinated in September, the last month for which figures were available, up from 71 in August and 57 in July.

Spokesmen for the group said they had compiled the list from public reports and that their figures included only a fraction of politically motivated killings in the country.

In contrast, there were an average of 33 politically related killings

AMERICAN TOPICS

Donating Own Blood For Use in the Future

Donating blood for one's own use later has become increasingly common, doubling in the past two years, The New York Times reports. The major reason for this surge, medical experts say, is fear of being infected by contaminated blood. They say this fear is largely unfounded. With AIDS, for example, advances in testing have reduced the odds of receiving contaminated blood to 1 in 100,000.

But there are other reasons. Blood that is autologous — that is, derived from the same individual — eliminates much of the risk of reactions, viral infections or other adverse effects. It is particularly suitable for people with antibody problems.

"The best transfusion you can get is your own blood," said Dr. Harold Kaplan, senior medical director of the New York Blood Center, a nonprofit blood bank.

While most autologous blood is stored in liquid form during weeks before elective surgery, a handful of private banks collect and freeze it for many years.

Donors save no money on autologous blood. There is no charge for the blood itself, autologous or not. But patients pay about \$200 a pint, usually paid by health insurance, to cover the costs of the blood bank and the hospital.

Notes About People

Ronald Reagan is "a secretary's dream," one of the president's secretaries reports. When he finds a typographical error in one of the letters they have typed for him, he will attempt to correct it with his pen. "He doesn't even want to ask us to retype a letter."

President-elect George Bush is reported to be nearly as fond of jelly beans as Mr. Reagan. But The New York Times reports that his favorites for nibbling on between meals are crunchy, salty pork rinds.

Short Takes

The California Task Force to Promote Self-Esteem and Per-

sonal and Social Responsibility, though parodied and lampooned, notably in Gary Trudeau's "Doonesbury" comic strip, soldiers on — and has spawned smaller task forces in 42 California counties. The group's creator, state Assemblyman John Vasconcellos, 56, predicts that it will spread throughout the country as the ultimate self-help program. "I've seen the cost of prisons — \$17,000 a year to lock somebody up — and dropouts and drugs," he says. "We have to get at the root cause; self-esteem informs everything. Nancy Reagan tells people to just say no, but they can't do that until they yes to themselves."

The "Bagvac," a giant vacuum cleaner that sucks insect pests out of strawberry patches, has been developed by Edgar Show, a Watsonville, California, entomologist. The bad bugs live on the top leaves and get vacuumed up, he said, while the good bugs that eat them live further down on the plants and generally survive. The Bagvac was hailed by Albert Mayeschoff of the National Resources Defense Council in San Francisco. He noted that as pesticides do more and more damage to the environment and less and less to increasingly pesticide-resistant bugs, nonchemical controls are ever more important.

A Finnish-built Soviet icebreaker succeeded last month where a smaller U.S. Coast Guard icebreaker failed, cutting a channel to free trapped whales in the Beaufort Sea west of Alaska. Federal law blocks the Coast Guard from buying foreign-made icebreakers. But Eero Mäkinen, president of Wärtsilä Marine Industries Inc., which built the Soviet icebreaker, said the whale saga had created "great prospects" for his company to sell licenses for icebreaker technology in the United States or to lease a Finnish icebreaker to Americans.

Near the end of the vast Dege exhibit at New York's Metropolitan Museum of Art, Joan Diamant, a reader of The New York Times, says she overheard one woman, exhaustion in her voice, ask a woman companion, "Can we start skipping the small ones?"

Arthur Higbee

42 Civilians Massacred In Colombia

Compiled by Our Staff From Dispatches

BOGOTA — Gunmen descended on the northern Colombian town of Segovia and nearby ranches, killing 42 civilians and injuring 57 during more than two hours of shooting, the local authorities said.

Military sources blamed leftist guerrillas for the massacre Friday night, the worst in recent Colombian history. But the municipal council of Segovia said that rightist death squads were responsible.

In Segovia, a gold-mining town of less than 10,000 inhabitants, 170 miles (275 kilometers) north of Bogotá, the mayor belongs to the leftist Patriotic Union party, the political wing of the leftist guerrilla group, the Revolutionary Armed Forces of Colombia.

The national directorship of the Patriotic Union said that the massacre was the work of a paramilitary group of about 30 people in four vehicles.

Military sources estimated, however, that there were about 90 attackers.

General Raúl Rojas, commander of the army 14th brigade, said there were 34 dead and 31 wounded in Segovia. Eight more deaths and scores more injured civilians were reported in nearby ranches.

The authorities said they presumed that the attack was by leftist guerrillas from the Revolutionary Armed Forces and the National Liberation Army.

But a man identifying himself as Commander Orlando from the Liberation Army, in a call to a radio station in Medellín, denied his group's responsibility for the attack. He blamed paramilitaries backed by drug traffickers.

Although General Rojas said the attackers shot indiscriminately at civilians, the Segovia municipal council said some of the killings were selective. The Segovia ombudsman, Johana Montana, said gunmen raided houses, checked identities and killed many members of the Patriotic Union.

In 1983, the bodies of 33 miners who had been shot were found in a mine shaft near Remedios, 15 miles from Segovia. The Patriotic Union said they were leftist sympathizers killed by a rightist death squad.

(Reuters, AP)

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35 Countries Unite in Drive To Fight 'Greenhouse Effect'

By Burton Bollag

New York Times Service

GENEVA — Representatives of 35 nations, including the United States, have begun an international effort to evaluate global climate trends and map policies to cope with the drastic consequences a global warming would have on human life.

In a three-day meeting that ended Friday, they established working groups to:

- Assess scientific evidence and historical temperature records to determine if a global warming trend had really begun, and in look at its causes.

- Assess the environmental, economic and social impact of climate change.

- Formulate responses. This group will be headed by the United States.

The effort could lead to an international treaty to reduce the emissions of carbon dioxide and other gases that are believed to collect in the atmosphere, trapping heat from the Earth in a "greenhouse effect."

The Geneva meeting was organized by two United Nations agencies: the UN Environment Program and the World Meteorological Organization.

The findings of the three groups are to be ready by mid-1990. The executive director of the Environment Program, Mustafa K. Tolba of Egypt, told the meeting that those conclusions should be sufficiently advanced "to justify actions by governments to limit and cope with climate change and to start negotiations" for a treaty.

Officials say responses would center on changing global energy policies to use fossil fuels more efficiently and to limit and ultimately reduce their use.

Fossil fuels are the main source

of atmospheric carbon dioxide, thought to be responsible for about 50 percent of global warming.

Other major culprits are methane, nitrous oxide and chlorofluorocarbons. Chlorofluorocarbons, which are used as aerosol propellants, refrigerants and in injected foam, are also believed to contribute to the destruction of the protective ozone layer.

The Montreal Protocol on protecting the ozone layer, signed last year, commits industrialized countries to a 50-percent reduction in the use of chlorofluorocarbons by 1999. Officials say a likely measure to combat global warming would be to reduce the use of chlorofluorocarbons further.

"The fact that the U.S. could come here with a coherent position and a high level of representation was positive," said Rafe Pomeroy, senior associate of the Washington-based World Resources Institute, which has in the past criticized the Reagan administration on this issue.

The UN Environment Program and its head, Mr. Tolba, are seen as prime promoters of an international treaty on global warming. This follows the program's successful conclusion of the Montreal Protocol and current negotiations on a treaty to sharply limit exports of hazardous wastes, expected to be ready for signing at a ministerial meeting scheduled for next March in Basel, Switzerland.



Demonstrators in Tel Aviv urging Labor and Likud to form a coalition and revise Israeli election law.

2 Religious Parties Endorse Shamir

By Glenn Frankel

Washington Post Service

JERUSALEM — After nearly two weeks of political maneuvering, Israel's two largest ultra-orthodox religious parties endorsed Prime Minister Yitzhak Shamir on Sunday as their choice, ensuring that Mr. Shamir would be named Monday by President Chaim Herzog to form a new government.

To win their endorsement, Mr. Shamir promised to give the two parties control of four major government ministries and to win approval in the Knesset within the first three months of his government of laws changing the definition of who is a Jew, government sources said.

Those commitments are certain to produce a backlash both among secular Israelis, who fear the growth of a Jewish theocracy that would limit their personal freedoms, and among Jewish groups in the United States that contend the new laws would delegitimize the Reform and Conservative movements in that country.

Mr. Shamir will have three to six weeks to forge a new governing coalition. If he succeeds, it would be led by Mr. Shamir's right-of-center Likud bloc but would depend on the votes of the fundamentalist Jewish parties to remain in office.

The endorsements marked the end of the first round of back-room bargaining over cabinet portfolios

and policy commitments in a new government. A second round, which is expected to be more prolonged, will begin after Mr. Herzog asks Mr. Shamir to form a new government.

The two parties that endorsed Mr. Shamir were Shas, which holds six seats in the Knesset, and Agudat Yisrael, which holds five seats. Their votes bring to 63 the number of seats committed to Mr. Shamir out of the 120-member Knesset, compared with 55 for his main political rival, Foreign Minister Shimon Peres of the left-of-center Labor Party.

The Torah Flag religious party, which has two seats, abstained from backing either man and called for another broad, national unity coalition between Mr. Shamir and Mr. Peres.

To win the backing of Shas, Mr. Shamir pledged to make the party leader, Yitzhak Peretz, deputy prime minister as well as interior minister, and to also give the party the housing portfolio, according to sources.

To Agudat, which declined to accept cabinet posts for ideological reasons, the prime minister promised bureaucratic control of the immigration and social welfare ministries, as well as the chairmanship of the influential Knesset finance committee.

Mr. Shamir also promised to win approval within three months of a Shas-sponsored bill giving new powers and stature in Israel's rabbinical courts, including the power to decide on citizenship applications from converts to Judaism.

Mr. Shamir made a commitment to Agudat to win approval of an amendment to the Law of Return requiring that all converts win orthodox rabbinical approval before becoming Israeli citizens. An Agudat spokesman, Menachem Porush, said that Mr. Shamir had promised that the amendment, which has been narrowly defeated in the past, would be approved.

"This is the first stage and not even the lengthiest in the process of forming a government," said a Shamir advisor, Avi Pazner.

Death Penalty Panel
Israeli leaders, facing renewed calls for harsh punishment of Palestinian guerrillas, set up a ministerial committee Sunday to consider imposing the death penalty for murder, Reuters reported from Jerusalem. The panel, made up of the defense, foreign and justice ministers and the attorney general, would advise the military authorities on capital punishment.

In the occupied West Bank, meanwhile, Israeli soldiers shot and killed an Arab motorist who had failed to stop his car at an army checkpoint, Palestinians said.

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General Lyman Lemnitzer Is Dead at 89

The Associated Press

WASHINGTON — General Lyman Lemnitzer, 89, a World War II hero who later served as commander of United Nations forces in the Korean War, supreme allied commander in Europe and chairman of the Joint Chiefs of Staff, died of kidney failure Saturday at Walter Reed Army Hospital here.

Skilled and Deft Soldier

By Albin Krebs
New York Times Service

General Lemnitzer, heavyset and 6 feet (183 centimeters) tall, preferred to work in his shirt sleeves, kept a messy desk and, as one old friend described him, was "not the least bit uptight, considering he's a four-star general."

But he was a skilled and deft diplomat as well as a soldier, and when he was appointed as the fourth chairman of the Joint Chiefs of Staff in 1960, he was variously described as "brilliant," "an expert planner" and "a man of modern-

tion and tremendous dignity."

In World War II he took part in a series of daring secret missions that paved the way for the invasion of North Africa and later the surrenders of the Italian Army and German Army.

In the Korean War he was decorated for gallantry for leading infantrymen through fierce battles.

In the 1960s, as chairman of the Joint Chiefs, he supervised the strengthening of American troops in Europe in response to the Berlin crisis.

Lyman Louis Lemnitzer was born Aug. 29, 1899, in Honesdale, Pennsylvania. The future general, of German Lutheran descent, graduated 86th in a class of 271 cadets at West Point in 1921.

In 1941, before the United States entered World War II, Major Lemnitzer was assigned to the War Department's War Plans Division. By September 1942 he was a brigadier general assigned to General Dwight D. Eisenhower's staff in London as assistant chief of staff in

charge of planning the invasion of North Africa.

That assignment led General Lemnitzer to one of three spectacular forays into diplomacy. He joined the secret mission, codenamed Torch and led by General Mark W. Clark, that slipped into North Africa by submarine in 1942 to get in touch with French commanders willing to defy the collaborationist Vichy French government to support the Allied invasion.

While serving with General Alexander, he participated in secret negotiations with Premier Pietro Badoglio of Italy that led to the Italian surrender to the Allies in September 1943.

General Lemnitzer later slipped into Switzerland to begin talks, behind Hitler's back, with members of the German High Command. The secret talks eventually led to the surrender of the German armies in Italy and southern Austria in May 1945.

General Lemnitzer took command of the 7th Infantry Division

in Korea in 1952, leading it in the desperate battle of Heartbreak Ridge, in the Punch Bowl campaign and in the Choswon Valley. He was later assigned to command the 8th Army in Korea, and in 1955 he was promoted to commander of all U.S. and UN forces in Korea and Japan.

In that capacity General Lemnitzer, in his quiet way, helped build Japan's postwar defenses, and he was a central figure in the successful diplomatic effort to keep strategic U.S. forces in Okinawa despite local opposition. The United States later returned Okinawa to Japanese control.

In 1960 he was named chairman of the Joint Chiefs of Staff. In that position, General Lemnitzer supervised the strengthening of U.S. forces in Europe in reaction to the Soviet construction of the Berlin Wall.

His last assignment, after his two-year tour as chairman of the Joint Chiefs, was to be supreme allied commander in Europe. He



General Lyman Lemnitzer

retired from active duty in 1969.

Other deaths:

Jessie Gabekos, 83, a heroine of the underground French resistance in World War II, at her home near Châteaufort on Thursday.

Vet Boswell, 77, the last surviving member of the Boswell Sisters, a popular and influential 1930s singing trio, on Saturday in Peekskill, New York.

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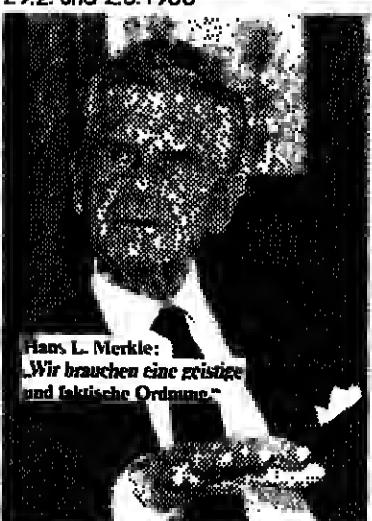
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مكتبة الأمل

Pakistan Comes to Crossroad

As Election Nears, Voters Ask: How Will Power Be Used?

By Barbara Crossette

New York Times Service

KARACHI, Pakistan — As Pakistan moves steadily and for the most part peacefully toward what it hopes will be the freest election in its history on Wednesday, one issue in the campaign overrides all others: Where will power lie in years ahead, and how will it be used?

The death of President Mohammed Zia ul-Haq in a still-unexplained plane crash in August altered the political landscape of a country that has known more dictators than democrats since its independence in 1947.

The politicians scrambling to fill the vacuum have been surprised by the latitude allowed them by an interim president, Ghulam Ishaq Khan, who has kept to constitutional rule, by a strong and impartial judiciary, and by an army that has pledged not to interfere.

As the final rallies take place, Benazir Bhutto, who with her mother, Nusrat, leads the Pakistan People's Party, is clearly the most spirited and popular candidate.

In a straight presidential contest, she might win easily.

But Pakistanis will be voting not for a president, but for a lower house of Parliament, known as the National Assembly, where the party or coalition with the most seats forms the government and names a prime minister. The National Assembly chooses a president.

Pakistan last held national elections in 1985, but General Zia dis-

trusted political parties, and all candidates had to run as independents.

After his death, the Supreme Court ruled that the 1988 elections should be held on a party basis.

Now, several dozen political organizations are in the race, and it is far from clear how the votes will go.

NEWS ANALYSIS

Ms. Bhutto's most serious rivals are in the Islamic Democratic Alliance, a coalition formed last month of the Pakistan Muslim League, the National People's Party, a political-religious organization called the Jamaat-i-Islami and six smaller parties.

Most of the coalition's leaders worked with General Zia, and two figure in the election: Mian Nawaz Sharif, the chief minister of Punjab, Pakistan's most populous province, and a former prime minister, Mohammed Khan Junejo.

Another is Ghulam Mustafa Jatoi, who founded the National People's Party in 1986 after falling out with Ms. Bhutto and leaving her Pakistan People's Party.

Pakistan today is a very different country from what it was in 1977, when Benazir Bhutto's father, Zulfikar Ali Bhutto, won an election widely regarded as corrupt and then was overthrown by General Zia a few months later.

Mr. Bhutto was executed in 1979 after General Zia refused to pardon him on a conviction of involvement in a political killing.

Because of Pakistan's strong stand during the Zia years against the Soviet occupation of Afghanistan, and because General Zia worked to raise the country's profile in the Islamic world, the voting Wednesday will be watched closely in the United States and elsewhere for signs of policy shifts.

The United States and India will also be watching for signs of change in Pakistan's nuclear development policy, which the various parties have suggested might be reviewed.

In addition, the Pakistani economy has been growing, creating new expectations and demands.

The country faces an exploding population, extreme deprivation among women, and the issues of how far and fast it should be moving toward a vaguely defined goal of Islamization.

Above all else, a new government will face the task of strengthening democratic civilian institutions.

Within a decade of gaining independence in 1947, Pakistan had fallen into the first of several periods of military rule.

In 1970, an election generally accepted as fair and open was held. But within another year, the country had split in two, with the creation of Bangladesh, and the presidency of General Yahya Khan collapsed.

Mr. Bhutto came to power in 1972, introduced a new constitution and, in 1977, called elections widely believed to be rigged. Public protests followed, with criticism of his economic policies and the arbitrary use of power and corruption.

Then General Zia stepped in, and 11 more years of military rule followed.

As the opposition movement grew, General Zia took steps to reintroduce democracy. He lifted martial law, called the 1985 elections and laid the groundwork for this election.

In the campaign, Ms. Bhutto's rivals have tried to make her father's record an issue, but have not succeeded.

Many Pakistanis appear to believe that Ms. Bhutto, educated in the West and comfortable with European democracy, would not attempt to revive her father's leftist-nationalist policies, to which the military might object.

Ms. Bhutto has been waging a populist campaign, short on specifics and long on rhetorical flourishes about ending repression and giving power to the people. She has also forged alliances with some power brokers in the Zia camp, in the military, and among the landed aristocracy.



Voters lining up in Karachi to receive identification cards for this week's elections.

Court Orders Voter Identification

New York Times Service

LAHORE, Pakistan — The Supreme Court of Pakistan has reinstated the rule that voters must present national identity cards to cast ballots in elections Wednesday and Saturday.

A 12-member bench of the Supreme Court, sitting in Lahore, said Saturday that because there was not enough time before the voting to hear a government appeal, it was staying a ruling by the Lahore High Court to end the identity card requirement.

The decision in effect threw out the Lahore ruling, which had been

welcomed by many politicians who feared the identity card issue could provoke violence at the polls.

The requirement that voters must show identity cards to cast ballots in National Assembly elections on Wednesday and Provincial Assembly elections three days later was challenged by the Pakistan People's Party of Benazir Bhutto.

The party argued that thousands, possibly millions of Pakistanis would be disenfranchised by the requirement, which the interim government of President Ghulam Ishaq Khan had introduced to control fraudulent voting.

"Vote banks" that deliver groups to the polls to cast ballots are common in Pakistan. These voters often carry bogus identification or, in the case of women, are veiled and cannot be recognized by poll officials.

Some politicians said the cards were not being issued fast enough to those who were applying for the first time to vote.

The Lahore court observed that the government's figures on cards being issued was at such variance with the party's totals that it was impossible to determine the true number.

Rebel Army Leader Escapes Manila Jail

By Seth Mydans

New York Times Service

MANILA — The reputed leader of the Communist rebel army in the Philippines has escaped from detention in a military camp after being allowed to attend a birthday party for an officer he had befriended, a military spokesman said.

The spokesman said the chief of the New People's Army, Romulo Kintanar, fled with his wife, Gloria. They had been seized with three other guerrilla leaders in March in one of the military's most conspicuous successes against the insurgents.

President Corason C. Aquino rebuked army officers on Sunday for the escape. Reuters reported from Manila, and ordered an investigation. Mrs. Aquino said she was "calling to task" Major General Ramon Montano, chief of the paramilitary Constabulary, and other officers assigned to hold Mr. Kintanar.

Mr. Kintanar and his wife, along with other guerrillas being held, had been permitted to leave the stockade at the national police headquarters in Camp Crame to attend a party in another part of the base, an officer said.

Security at Manila's military camps is relaxed, and vehicles usually enter and leave freely.

Mr. Kintanar, 41, was described as commander in chief of the New People's Army, which has about 25,000 members.

He is said to be one of the guerrillas' leading strategists, ranking third in the underground Communist Party hierarchy.

He is also described as the organizer of the urban guerrilla squads known as "sparrows" that have carried out a program of assassinations in Manila over the last two years.

The party's general secretary, Rafael Baylosis, who was arrested with Mr. Kintanar, also attended the birthday celebration, another guest said.

Like the other rebel prisoners, he remained in detention Saturday. Those being held were awaiting trial on charges of illegal possession of firearms in connection with subversive activities.

"We are trying to find out why they were allowed out of their prison cell," said the military spokesman, Colonel Crisencio Maralit. "It is quite unusual for them to invite New People's Army guerrillas to a party."

The event was held at the quarters of Major Roberto Comilang, the former commander of the stockade where the rebels were detained.

He was removed from his post last month after guards shot to

death an army colonel being held for taking part in a rightist coup attempt in August 1987.

Mr. Kintanar and other rebels had befriended the detained colonel.

Both Communist and rightist rebels have escaped from detention in the past, drawing criticism of lax security within the Philippine military.

Several years ago, Saturnino Ocampo, a former journalist who became a ranking leader of the insurgents, escaped through a back entrance of the Manila Press Club, where he had been allowed to go to vote in an election of club officers.

Early this year, Gregorio Honasan, a former colonel who led a coup attempt in August 1987, escaped from a prison ship aboard a rubber boat that had been sent to augment security.

He, too, had befriended his guards, and his 14-man security detail fled with him.

A Brother Of Chun's Is Arrested

Washington Post Service

SEOUL — The elder brother of Chun Doo Hwan was arrested Sunday on corruption charges in a move apparently designed to increase pressure on the disgraced president to apologize for alleged wrongdoing during his seven years in power.

Mr. Chun's elder brother, Chun Ki Hwan, and a cousin were taken into custody on charges of illegally using their influence to gain control of the largest fish market in Seoul and then diverting funds.

The arrests followed by two months the conviction of the former president's younger brother on corruption charges, and meant that more than a dozen Chun family members, in-laws and friends have been imprisoned or are under investigation.

The arrest of Mr. Chun's elder brother was seen as particularly significant because he is the ex-president's closest sibling and is the nominal leader of the Chun family.

The arrest, analysts said, was intended to send a signal from the government and the governing party that the ex-president could also end up in jail unless he quickly accepts a compromise calling for Mr. Chun, who took power in 1980 and retired as president in February, to apologize for alleged misdeeds, to return any illegally acquired wealth and to retire to the countryside.

Ethnic Attacks in Sri Lanka Kill 13 as Strike Cuts Food

The Associated Press

COLOMBO — At least 13 people have been killed in ethnic violence and a fuel workers' strike called by a radical Sinhalese group has raised fears of food shortages.

A military official said Saturday that four people were killed and 20 others, including 16 schoolchildren, were injured when a car bomb exploded near Jaffna, 185 miles (300 kilometers) north of Colombo on Friday.

The official said the victims were all minority Tamils. He said that the bomb could have been aimed at Indian troops posted in Sri Lanka to quell the Tamil rebellion and that it probably exploded prematurely.

The bombing was blamed on members of the Liberation Tigers of Tamil Eelam, the largest and most powerful of the Tamil militias, who are fighting for an independent Tamil homeland in the north and east of the island.

The bodies of five Tamils abducted Friday were found Saturday in the town of Kalmunai, 136

miles east of Colombo, the official said. These killings were also blamed on the Tigers.

The Tigers are at the forefront of a five-year war by the Tamils for a separate state. The rebels say a Tamil homeland is needed to combat discrimination by Sri Lanka's majority Sinhalese.

Members of the People's Liberation Front, a radical Sinhalese group, were blamed for killing four government supporters in central Sri Lanka on Saturday.

The military official said four Sinhalese, including the brother of a government lawmaker and three of his supporters, were killed in a car ambush.

In southern Sri Lanka, a strike by fuel workers called by the Sinhalese People's Liberation Front led to gasoline shortages and a breakdown in the distribution of food, the authorities said.

The strike was the latest in a series called by the front, which opposes President Junius R. Jayawardene's peace overtures to Tamil rebels.

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Still the PLO's Move

The Palestine Liberation Organization failed to grasp the moment and advance a realistic peace proposal before Israel's elections. Now, as the governing Palestine National Council meets in Algiers, its leaders seem destined to miss yet another opening.

Despite the right-wing tilt in the Israeli vote, the politics of cabinet-making remains fluid. The PLO can influence that process and the attitude of President-elect George Bush. But indications are that Yasser Arafat and company will simply proclaim Palestinian independence, and thus confirm their irresponsibility.

Israel remains deeply divided on whether to hang on to religiously occupied territories or seek a territorial compromise. In the Nov. 1 elections only 42 percent voted for parties which oppose any withdrawal. Prime Minister Yitzhak Shamir has up to 42 days to cobble together a Likud-led coalition. If he fails, Israel's president will probably turn to Shimon Peres of Labor, advocate of a compromise based on trading land for peace.

Meanwhile, the uprising in the West Bank and Gaza continues to make evident the moral cost of indefinite occupation. The other day, Israeli soldiers killed a 3-year-old boy while shooting at stone-throwers whose ages were 12 and 13.

In June an Arafat aide, Bassam Abu Shmouk, prepared a document that renounced terrorism and called for a Palestinian state living in peace with a Jewish state. But what had great promise was discovered by other PLO leaders. And recently Mr. Arafat reverted to his old lines of equating Zionism with racism and refusing to forswear terrorism to gain Palestinian independence. It all adds up to the familiar self-inflicting language that makes some condemn him as a terrorist and others dismiss him as a weak man interested only in posturing to keep his job.

According to a PLO spokesman, the recent vote shows that "Israelis are not ready to make peace" and therefore do not deserve reconciliation. This totally ignores the lesson of President Anwar Sadat's transformation breakthrough in boldly flying to Israel from Egypt in 1977. The result was a treaty negotiated with a right-wing Israeli government and then ratified overwhelmingly thanks to added votes from the left.

Mr. Arafat's apologists maintain that his hands are tied by deep divisions in the PLO, a loose amalgam of armed factions. At the moment, however, the chairman's position is relatively strong. His worst foe, a Syrian-backed minority, are isolated. The Palestinian uprising has built support for a pragmatic solution on the West Bank. Mr. Arafat enjoys the backing of King Hussein of Jordan and President Hosni Mubarak of Egypt, the most important voices of moderation.

Given legitimate Israeli fears regarding survival, it is up to the Palestinians to make the first move, as Mr. Sadat did. That surely seems unfair to the Palestinians, but Mr. Arafat understood what it would take to change hearts and minds in a divided and frightened but democratic Israel. If the PLO uses Israel's elections as yet another excuse for leading out its familiar ambiguous rhetoric, it will serve only to prolong the ordeal for Israelis, and Palestinians.

—THE NEW YORK TIMES

A Gesture of Apology

Reflecting on the dark and terrible history of their country under Nazi rule, Germans last week observed the 50th anniversary of Kristallnacht, the night of broken glass. Anti-Semitism, sponsored and enforced by the state, had been rising under Hitler for some time, but Kristallnacht — Nov. 9-10, 1938 — was the beginning of violent and highly organized persecution on a nationwide scale. That episode, and those far worse which followed it, have left a haunting question: How could a people as gifted and as cultivated as the Germans have descended to such depths?

Over the years many German theologians, historians and politicians have offered answers, some of them compelling. But the extreme difficulty of dealing with the question was demonstrated, not for the first time, on Thursday when Philipp Jenninger, the speaker of the Bundestag, addressed a special commemorative session. He was trying to explain how the campaign against the Jews had gained such widespread public support. But as he went on, his listeners found it difficult to follow the distinction — although it was evidently

quite clear in his mind — between his own commentary and his descriptions of the attitudes of the time, including quotations from Nazis. A number of the audience walked out in protest.

Mr. Jenninger, by all accounts a decent man and no anti-Semite, has now resigned as speaker. As a gesture of apology, that kind of resignation is as rare in Germany as it is in the United States. But the subject is not one that tolerates inaptitude or imprecision.

There is really no event comparable to the Holocaust. But similarly it is difficult to think of another case in which a whole society, many of whose people were directly implicated in those crimes, has gone to such lengths, decade after decade, to preserve the recollection of the crimes in its civic and political life. Those Germans who mistake that responsibility, or deal with it carelessly, generally do not prosper in public office.

The striking thing about contemporary German treatment of the Nazi period is the moral stamina and rigor of the judgments. For a nation to acknowledge error is as uncommon as it is admirable.

—THE WASHINGTON POST

Prosecute the Hacker

If his friends' reports prove accurate, Robert Morris, the hacker whose virus program recently clogged up 6,000 computers, deserves to be vigorously prosecuted. There is appealing drama in this tale of father, son and a monumental electronic game, and there may be reason to mitigate the punishment, but that is different from minimizing the crime. Prosecuting the case can test the adequacy of present laws against electronic sabotage, a crime which can be deterred.

Mr. Morris' program wasted thousands of hours of other people's time as they purged it from their computers. A society that depends on computers must defend itself against this kind of threat.

Some hackers may be mischievous and thoughtless invaders of property, but few are malicious or intentionally criminal. Their rich to show that they can outwit the designers of computer systems could easily be discouraged by tough application of present laws, or of new ones if needed.

Mr. Morris' purpose remains a mystery. Was he trying to prove something to his father, a computer security expert at the National Security Agency? His friends assert that he meant his virus to live quietly in the computers it invaded, and that only because

he committed a programming error did the virus multiply so fast as to choke its hosts.

But that the worst consequences of the escape were unintended is no absolution.

Everything so far known about the virus' design and dissemination suggests a surreptitious intent, unmindful of others' privacy or convenience. To gain access to the computer network and its users' machines, Mr. Morris said to have deciphered and used some 300 unauthorized passwords. To evade detection, he allegedly disseminated the virus from a computer at the Massachusetts Institute of Technology and had its progeny report their existence to a computer at the University of California in Berkeley.

"What happened in this instance was not really vandalism," says one computer expert. "You shouldn't crucify him for damage he did not intend to cause," says another. That puts it too benignly. To deceive others, invade their property and disrupt their activities is a clear breach of ethics. Youth, ingenuity and inadvertence may prove mitigating circumstances and justify leniency when deciding on punishment. But first, if only to deter other electronic saboteurs, it is important to define it as a crime.

—THE NEW YORK TIMES

Other Comment

Bush: Hard Work Ahead

What matters is that the United States recognize the continued role it has to play in helping ensure the stability of the international economic and political system. The question is how this is to be done, given the budget and trade deficits. It is not a cheaper U.S. dollar that should be the mechanism for adjusting the trade deficit but insistence on dismantling visible and invisible barriers to trade. To do this, Washington's own commitment to fair trade should be clear. That was, on the whole, the thrust of President Reagan's foreign economic policy. It would be terrible for the world — and for the United States — if, under pressure from a Congress in the grip of protectionist threats, Mr. Bush were to deviate from this commitment.

—Business Times (Singapore).

[Mr. Bush] has much to prove if he is to gain the respect and popularity that President Reagan has earned throughout the world. The U.S. presidency, unlike a presi-

dential campaign, is not something that can be administered by television. Mr. Bush now faces the real world of budget-cutting, nuclear weapons, Mikhail Gorbachev and a host of other matters. And he must contend with a hostile, Democratic-controlled Congress.

—The Bangkok Post.

Charles Has a Talking Job

It could be easily construed to be unacceptable for him to become, for example, an ambassador, or the chairman of one of those organizations which frequently finds itself in disagreement with the government.

When you sit down and study the options, you begin to realize the practical difficulties and the potential for embarrassment which exists. However, he does believe that it is possible to speak out on various issues, and particularly on behalf of the ordinary bloke.

There is no title for the job he is doing now, but he is not applying for another one.

—Tom Sheehy, an associate of Prince Charles, quoted in The Observer (London).

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OPINION

Jean Monnet: 'The Most Beautiful Job'

By Flora Lewis

PARIS — A solemn ceremony here the day after U.S. elections brought into focus the difference between the power of public position, with its heavy trappings, and the power of a man with an idea. It was the centennial of the birth of Jean Monnet. His remains were brought from the rural cemetery where he was buried in 1979 to the Pantheon, the majestic resting place for those to whom France reserves its ultimate honor.

The inscription above the portal reads, "Aux grands hommes la petite reconnaissance." Although he lived 91 years and was proclaimed the first, and so far only, Honorary Citizen of Europe, it was the first time that France had bestowed a formal accolade on Mr. Monnet.

President Francois Mitterrand spoke before a dozen other European heads of state and heads of government. "We need to offer great examples to our youth, and here is one," he said of the man who never cared for titles but came to be known as Mr. Europe.

Two men dominated the revival of France after World War II. One was the commanding figure of Charles de Gaulle, ever conscious of the symbols of glory. The other was the stocky peasant figure of Jean Monnet, plodding through the fields in his rubber boots, quietly pushing, persuading, manipulating the mighty to build an enduring new institution.

Sometimes they worked together, but they didn't get on well. Not only their styles but their projects were so different.

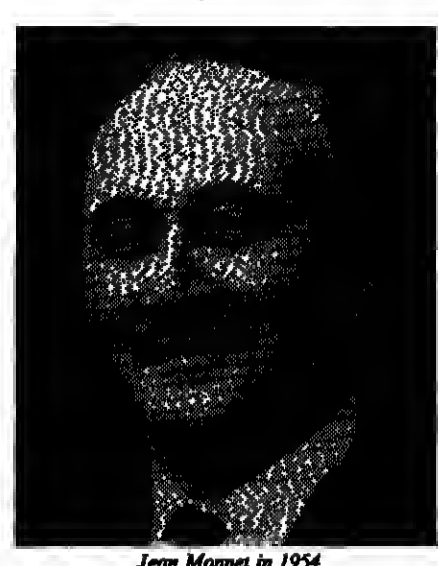
Mr. Monnet, the son of a brandy distilling family in Cognac, said once: "I know how to wait a long time for favorable circumstances. In Cognac we know how to wait. It's the only way to make a good product." And another time: "For the politician, the goal is always to be in the government, and to be the first. Everything is about the struggle for office. The purpose of power, the problem to solve, is forgotten. I've never known a great politician who wasn't strongly egocentric, and for good reason. If he weren't, he would never have imposed his image and his person. I could not do that, not because

I'm modest but because you can't concentrate on a thing to be done and on yourself."

Mr. Monnet liked to quote an American friend, Dwight Morrow, who told him, "There are two types of men, those who want to be somebody and those who want to do something."

What he wanted to do, what he called "the most beautiful job," was to "bring people together." He wanted to promote Europe's recovery from the wars and make it impossible for its countries to fight each other again, by forging a union, economic at first, gradually political and even military. He dared to call his vision a "United States of Europe." Mr. Mitterrand avoided that controversial phrase and called for eventual political and defense union.

That is still far beyond the horizon, but it is



Jean Monnet in 1954

also far beyond the "Europe of motherlands" which General de Gaulle considered the limit for ceding national sovereignty.

By 1953, the 12 members of the European Community are to form a single internal market. Mr. Monnet has already substantially changed the lives of 320 million people.

He had a clear notion of how to proceed. "Since they take the risks, they need the laurels," he said of the men in the limelight. But when they are short of ideas "they gladly accept yours on condition you leave them the credit."

He added: "I have no taste for the shadows, but if it takes self-effacement to get things done, I choose the shadows."

"Institutions are more important than men. But only men, when they have the strength, can transform and enrich things which institutions transmit to successor generations."

It was Jean Monnet who persuaded President Franklin D. Roosevelt to gear up America's industry for the defense of Europe and offered him the phrase "the arsenal of democracy." He was the author of the Schuman Plan, which led to the European Coal and Steel Community, the start of French-German reconciliation and the first step to the Common Market. He devised the Pleven Plan for a European Defense Community, which failed but lingers in the background.

He was a man of deep conviction and dogged persistence, but he was not intransigent. He approached problems with a full understanding that no solution would last unless all involved were brought to see that it was in their common interest. He worked with presidents and princes, industrial barons and labor unions, but nothing dazzled him except his idea of a future "union of peoples in liberty and diversity."

All European schoolchildren know about Charles de Gaulle, but they live in a world shaped by Jean Monnet. It is good that he has been enshrined. His is a monument to the reality that can be created when the goal matters more than the fanfare.

The New York Times

America the Model Needs Applaudable Debate

By David K. Shi

WASHINGTON — For an American who is proud of his country's democratic heritage, traveling during this political season has been a dispiriting experience. So far, the quality of public debate has been more intelligent and sophisticated in the world's leading closed society than in the world's leading democracy.

I spent a few days in Moscow last week, at the height of America's presidential campaign, talking with some of the most ardent and articulate supporters of Mikhail Gorbachev's reform efforts. They are in a moment of struggle against their authoritarian tradition, groping toward concepts of free speech, elected government and civil liberties that are still only vaguely formed in their minds.

They may fail, and many of them know that. But in their striving, they have created an atmosphere in which every idea has weight, no utterance is empty and each proposal and criticism reverberates with heavy implications for the country's political and economic future. There is a creative and exhilarating dialogue on the most fundamental issues concerning the individual and the state.

Not so in America. We act as if we have resolved all fundamental questions and our role is to teach the rest of the world. But our best lesson is an example, and we set a poor one in the most important of our democratic exercises.

While the Russians were taking the careful measure of each idea, the trivial nastiness of the presidential campaign was masking the issues for Americans. The slogans and labels tripped easily off the tongue. George Bush's crude appeals to patriotic symbols and fear of crime, and Michael Dukakis's divisive plays to class antagonisms, seemed particularly shabby against the Soviet debate.

One sees even more painfully from Moscow than from Washington how casual we have become about our freedoms, how cavalier with our ideas.

It is a truism, of course, that honest debate seems more precious in societies where it is forbidden, and the Russians have therefore traditionally been more devoted than Americans have to their own political rights and the power of the word. But for the subject of civil liberties, Americans should display an insensitive attitude.

How surprising, then, to encounter a more intelligent discussion of civil liberties in Moscow than in the United States.

While Mr. Bush was making the adage of civil liberties sound subversive and Mr. Dukakis was running away from the issue, Soviet jurists and officials were considering the introduction of some American concepts into their legal system.

After vilifying the United States for decades, some Soviet specialists now cite it as a model guiding their efforts to reform their criminal code and their judiciary. They are talking about independent judges, jury trials and the right to counsel.

In official circles, intensive battles are reported over how far to go. Some recognize the hypocrisy of the country's constitutional guarantees of various rights and freedoms.

As Andrei Sakharov has com-

plained, some backward steps have been taken, such as decrees giving the police explicit authority to curb demonstrations. And there are enormous systemic and psychological obstacles to overcome before Soviet citizens can regard the courts as protectors, rather than violators, of individual rights.

At this unusual moment, when reformers in Moscow are looking admiringly at America, it is crucial to keep our own discourse on civil liberties vibrant. If we wish to remain a model, then we must guard against the erosion of our values.

The writer, a former Moscow correspondent for The New York Times, is a senior associate at the Carnegie Endowment for International Peace. He contributed this to The New York Times.

Here Comes a Creative American Era

By Francis Ford Coppola

NEW YORK — If some genie came to me and offered any country to be on or be part of in these decades to come, I would choose America — not only because of its wealth, size, scope and diversity, but because of its most valuable resource: talent.

America is in a unique position to utilize its creativity to produce the money it needs to do everything it has

imaginative work and the prosperity that it will bring. American engineering is up to it; American inventiveness and design talent is up to it. Take the entertainment industry as an example. American entertainment is international entertainment. All over the world, American movies, music and television are served up as the main course to the world's audience.

Soon a major new artery of communication and art will exist: high definition television, with a superior picture and sound, tied to one international standard. If we want this we can have it — but we must pay the price. We can't have the standards for television to America's presently lower technical standard just to shore up today's broadcast industry. They have had their turn; don't let them hold us back.

When color television was first introduced it was tied to the standards of the 1940s by a decision to make it compatible with black-and-white sets. Today, international trade interests and local broadcasting turf have taken global television hostage. An insistence on unnecessary compatibility once again would keep television light-years from what it could be.

We could simultaneously broadcast the old standard for a while, as we presently do with AM and FM in radio, but let the new standard exist unfettered. The concept of world tele-

vision is worth it. We should definitely take the leap with a standard agreed upon by the International Telecommunications Union that can make free and easy interchange of television programming possible in a new world television system. The future rewards would be greater in all areas.

Many other technological wonders are already stimulating young people — really, all people — into expressing themselves in an audiovisual medium.

The arts can flourish with the home computer, that good friend to creative writing, design, filmmaking. Technologies like "video 8" enable a person to make a feature-length film inexpensively. The astonishingly clear screens now available on television sets so small that they fit into attache cases hold out real promise for large, wall-sized television screens for the home. Seeing, sending and working with words and pictures are becoming easy.

This is a creative era. Let us astound the world with our productivity and imagination. America has a tremendous tradition of creativity. It really has the goods at all levels of art, design, ingenuity, innovation. Unless this potential and the resulting prosperity will once again waste away in the budget and the deficit idle chat.

"Imagination is more important than knowledge," Einstein said. For the first time, we can advise our students not to be afraid to choose artistic professions. No longer does it make sense to say, "Be interested in music or writing or art — but get a degree in accounting or business." All people are creative and this new generation is lucky to be born in a time when that aspect of themselves can earn wealth, for them and their country.

But this, of course, is secondary to the pleasure and fulfillment that comes with doing the work you love. The American dream is a creative dream.

The writer is a film director and producer. He contributed this comment to The New York Times.

Time for Straight-Talking Leadership

By Anthony Lewis

BOSTON — When Andrei Sakharov arrived in America last week, on his first trip to the West, he spoke of how he respected the United States for its self-criticism. "It is a rare quality in the world arena," he said. "In most countries public opinion is structured to support the government. In the United States there is a very self-critical attitude."

Openness, the habit of self-criticism has been one of the great American strengths. Nothing could be in more striking contrast to the paralyzing public conformity in the Soviet Union, at least until the Gorbachev era.

But are Americans really willing to hear criticism that cuts to the whole direction of the society? Speech remains extraordinarily free, but will people listen to uncomfortable truths? The 1988 election is reason to wonder.

The United States is falling behind Japan and other high-technology countries in the fundamentals of economic strength, farther and farther behind. We invest much less. We let our roads and bridges and other public facilities decay. We do a far worse job of educating our children. Instead of making those investments in our future, we spend on consumption now.

Those facts are not secret. Everyone knows that the Reagan years have seen immense borrowing from abroad to finance high living. Everyone knows that we have an appalling federal budget deficit. Everyone knows that the country finds it hard to compete now in microchips and automobiles and television technology. We are becoming less competitive all the time.

But in the election campaign hardly a word was said about those profoundly important realities. Why not? Because if Michael Dukakis had raised the problems, he would have been called an unpatriotic purveyor of gloom. Jesse Kirkpatrick would no doubt have denounced him as part of the "blame America first" brigade.

At election time, Americans prefer flag waving to self-criticism. No matter how urgently we need to confront failures that mortgage the country's future, we do not confront them. And in elections we have an opportunity to change course.

It is not unknown in history for a great country to ignore fundamental problems until too late — until national decline from great-power status is irreversible. It happened to Spain in the 17th century and Britain at the end of the 19th.

That was the subject of this year's best-selling work of history, "The Rise and Fall of the Great Powers," by Professor Paul Kennedy of Yale. I telephoned Mr. Kennedy to ask what he thought of the election campaign in light of his historical subject.

"A lot of people are concerned about the long-term strength of this country," he said — "about trading competitiveness, the weakness of public education, the creation of a permanent underclass in the inner cities. But they tend to be people who know what is happening in other countries, who are appalled at what the average 17-

year-old American knows in comparison with other developed countries in languages, science . . .

"But it is difficult for those long-term concerns to be heard in an electoral system that places so much emphasis on the short term and the immediate. On the surface things are not bad, people have jobs, the government speaks of a continuing economic boom . . ."

Mr. Kennedy saw some parallels to what happened in British politics between 1903 and 1908. Joseph Chamberlain, fearing a loss in the nation's industrial position in the world, campaigned for major reforms in industry and education. But there was a temporary surge of prosperity, the laissez-faire traditionalists who said that things were fine as they were.

Winston Churchill, a leading opponent of Chamberlain, mocked him for predicting "downfall and disaster." Then, as now, it was hard to make a point about long-term trends when the economy looked reasonably prosperous for most of the voters.

The deeper movement went on in Britain, Mr. Kennedy said. The erosion of the manufacturing base, the failure to produce enough engineers and scientists, the social ills of the inner cities with a 25 percent permanent underclass: All of those were leading to year-on-year shrinkages in Britain's long-term share of world production.

The United States does not have to repeat that history. Leadership could turn up from fully self-critical reality.

The New York Times

Afghanistan Might Skip Civil War

By Selig S. Harrison

WASHINGTON — Rather than escalate the Afghan conflict in the face of new Soviet military moves, Washington should recognize that a military victory by the resistance will not be easy and should test Moscow's professions of readiness for a genuinely neutral government.

Despite the withdrawal of Soviet forces from 27 of Afghanistan's 32 provinces, resistance factions have taken only six provincial capitals. Still, the Reagan administration predicts an imminent takeover in Kabul and has encouraged stepped up missile attacks on the capital since midsummer.

The administration opposes the promising United Nations efforts to promote an interim government led by nationalist forces not controlled by either the Communists or the Pakistan-sponsored Islamic fundamentalist minority wing of the resistance.

Moscow has reacted by deploying sophisticated bombers and missiles and by threatening to delay the scheduled completion of its withdrawal in February. The principal Soviet military objective is to destroy resistance, missile bases. Diplomatically, Moscow is seeking negotiations with Washington on a neutral government, signed in flexibility by paying from the Kabul Communist Party and government 165 leading Communist opponents of a political settlement.

Prospects for a quick resistance victory appear problematic, whether or not Soviet forces depart. Both sides are digging in for what is likely to be a protracted civil war in which Washington could end up supporting a client regime in Kandahar or Jalalabad.

Trained in guerrilla tactics, the deeply divided resistance groups have not been able to unite for conventional warfare against Communist-led regular forces in fortified cities. And the resistance is paralyzed by a split over whether to go for military victory, with further suffering for fellow Afghans, or move toward a political compromise.

Pakistan-sponsored, Sunni fundamentalist factions are pushing for a military decision that would serve Pakistani interests (as defined by the late President Mohammed Zia ul-Haq) but not American interests. President Zia channeled most U.S. weapons aid to these groups, largely drawn from ethnic minorities, while downgrading elements based in Afghanistan's Pashtun ethnic majority. He dreamed of installing a Pakistani satellite regime in Kabul in which the Pashtun tribes would no longer enjoy their traditional dominance. Islamabad has long been at odds with Afghan regimes over vast Pashtun areas of Pakistan that once belonged to Afghanistan.

Six weeks before his death in August, President Zia, whose lieutenants are still powerful, spoke of the "strategic realignment" that Pakistan and the United States would achieve next spring. "By helping you as a front-line state," he told me, "we have earned the right to have a very friendly regime in Kabul. We won't permit it to be like it was before, with Indian and Soviet influence there and claims on our territory. It will be a real Islamic state, part of a pan-Islamic revival that will one day win over the Moslems in the Soviet Union, you will see."

Support for a political compromise centers in a loose nationalist coalition of field commanders, Pashtun tribal leaders, respected figures from earlier regimes (notably King Zahir Shah) and Shiite leaders who do not want a regime controlled by Sunnites.

The neutral government proposed by the United Nations would convene a traditional tribal assembly empowered to hold elections. U.S. support for the United Nations would strengthen pragmatists in the post-Zia leadership who recognize that a stable Afghan regime is a precondition for the return of the 2.5 million refugees in Pakistan.

America's interest lies in completion of the Soviet withdrawal and a stabilized Afghanistan free from Soviet, American or Pakistani-Indian rivalry.

Washington should recognize that the artificial resistance alliance impedes these goals. Patched together by Pakistani intelligence agencies, it gives anti-Soviet fundamentalists control over more powerful tribal elements. U.S. policy should encourage a regrouping of non-Communist forces under Zahir Shah and the field commanders.

The Soviet Union should recognize that Afghan leaders anointed in Moscow are suspect in Afghan eyes.

Both superpowers should abide by the outcome of Afghan negotiations under UN auspices as a step toward disengagement from the civil war.

The writer is a senior associate of the Carnegie Endowment for International Peace. He contributed this comment to The New York Times.

100, 75 AND 50 YEARS AGO

1888: Verdi's Hospital

PARIS — The Gazette Musicale de Milan contains an interesting account of the hospital recently opened at Villanova, and entirely built and supported by Giuseppe Verdi, the composer. Villanova is situated in close vicinity to the Villa di San Agata, the country seat where Verdi lives in the manner of a farmer, abandoning all music from his thought.

The significance of the great composer is only equalled by his modesty. The opening ceremony was of the simplest kind. No speechifying was allowed, Verdi remarking that the only inauguration necessary was the admission of the sick and ailing.

1913: Huerta Says 'No'

NEW YORK — A telegram from Mexico City says: "General Huerta today refused last night (Nov. 12) to accede to the demands of the United States as expressed in an ultimatum sent by President Wilson that he stop

down and relinquish indirect as well as direct control of the de facto government in Mexico City. Meanwhile, in London, carte blanche was given to President Wilson to eliminate General Huerta and his puppets from control in Mexico — this is the present attitude of the British government.

1938: CIO Peace Terms

PITTSBURGH — Broad economic planning by the government, including higher wages and taxation of speculative wealth, was advocated today (Nov. 13) by John L. Lewis in outlining the program for his Committee for Industrial Organization convention which opens here tomorrow.

In reply to the peace "talks" put out by the American Federation of Labor recently, Mr. Lewis said the C.I.O. would receive such

Promising New Policy, Politburo Warns Balts Not to Reject Socialism

By Selig S. Harrison

MOSCOW — Politburo members have warned the Baltic peoples of the Soviet Union against turning their backs on socialism, saying the Communist Party is correcting past mistakes in its treatment of nationalities.

The Soviet news agency Tass reported that messages sent by General Viktor M. Chebrikov, Vadim A. Medvedev and Nikolai N. Slyunovskiy — addressed respectively to leaders in Estonia, Latvia and Lithuania — appeared on Saturday for better interethnic ties.

"Some excessive and undesirable phenomena have come to the surface," Tass quoted Mr. Medvedev, the Kremlin's ideology chief, as telling Latvian workers, officials and academics.

"They include attempts to call into question the correctness of the socialist way of development chosen by the Soviet peoples," he said, and "wrong understanding of interethnic problems."

He urged citizens to take a "sober and businesslike attitude toward solution of vital issues, abandon words and ratiocination and pass over to practical constructive work."

The Kremlin leadership sent the three men to the three formerly independent Baltic republics on Friday in an attempt to calm anger over proposed changes to the Soviet Constitution.

The Politburo has said that the amendments are a crucial first step in political reform. Opponents claim they would tighten Moscow's control over the 15 Soviet republics.

Newly formed popular fronts in Estonia and Latvia, and the Sąjūdis

movement of Lithuania, are calling for control over their respective economies, their currency and local citizenship laws.

Some smaller groups have called for secession from the Soviet Union, and the unleashing of long-suppressed nationalism has increased friction with ethnic Russians who moved to the Baltic region after the states were absorbed into the Soviet Union in 1940.

Mr. Slyunovskiy told Lithuanians, during a visit to the capital, Vilnius, that Soviet policy toward the country's various nationalities had not always been perfect.

"There were mistakes which we are energetically rectifying now," Tass quoted him as saying.

Mr. Chebrikov, the former KGB chief, told Estonian farmers that the party had made mistakes in nationalities policy during the "period of stagnation" — the era of the former Soviet leader, Leonid I. Brezhnev.

He said that those days were over and the misunderstandings between ethnic groups "had no particular grounds today," he said.

The people of Estonia should pool their efforts.

But the Internationalist Movement, representing Estonia's Russian minority, held a stormy meeting on Saturday in the capital, Tallinn. Russians shouted down the republic's president, Arnold Ruutel, an ethnic Estonian who backs the Estonian Popular Front.

All three Politburo members emphasized that the Kremlin was studying ties with its 15 republics and that any problems would be solved eventually.

New Motto at PLO: Austerity

By Youssef M. Ibrahim

ALGIERS — The 448-member Palestine National Council was founded in 1964 as a consultative body for Palestinians and has become the highest legislative body for the 5.5 million Palestinians dispersed around the world.

Its decisions become binding policies that can paralyze or motivate Palestinian actions.

Last year's PNC meeting cost \$28 million, but this year the motto is austerity.

The Palestine Liberation Organization, the official host of the meeting, is underwriting fewer invitations, plane tickets and hotel rooms due to efforts to defray the costs of the 11-month uprising in the Israeli-occupied territories.

"We now direct all the financial aid to the intifada," said Abu Usamah, deputy director of finance for El Fatah, the largest and richest of the Palestinian organizations.

The intifada is the Arab accord for the uprising in whose name this special emergency PNC session is being held.

Only 2,000 Palestinians and Arabs are attending the 19th council meeting, one-third of the number who came in April 1987.

But anticipation that the PNC will recommend establishing an independent Palestinian state is bringing a sense of euphoria to representatives who have arrived from places far and near, including Brazil, Argentina, the United States, Saudi Arabia, Libya and Egypt.

No one here seems upset that 57 PNC members from Syria could not make it since the government of that country held them back.

And it was fully expected that the 186 council members from the West Bank and Gaza would not be here as Israel, similarly, forbids any contacts with the PLO and makes them a jailable offense.

PNC meetings are not legally perfect affairs, because of the immense logistical complications they face. They tend, on the other hand, to be political statements.

Ahmad Abdel Rahman, the PLO's chief spokesman, said: "This PNC meeting is our gift to our people inside. We have entered the peace process and we will give the Palestinian nation which was born in 1947 without a name, a new name — independence."

More in the nature of a consultative assembly than a constitutional parliament, the PNC is composed of members nominated by blocs of Palestinians representing different political tendencies, armed groups, civilian disciplines and geographical distribution.

The council includes 150 independent members from Western Europe and North and South America as well as distinguished Palestinian personalities and businessmen.

The estimated 120,000 Palestinians living in West Germany are represented, for example, as are the 3,000 Palestinian doctors living in Brazil.

Edward Said, a professor of literature at Columbia University, is a member, as is Abu Abbas, the Palestinian terrorist who directed the Achille Lauro affair in 1985.

El Fatah, the largest armed group, keeps about 55 permanent seats in the council.

The second largest group, the Democratic Front for the Liberation of Palestine, keeps 25 seats.

PLO: Delegates Favor Accepting UN Resolution 242

(Continued from page 1)

Part reported from Jerusalem: Israeli officials dismissed as "nothing new" reports from Algiers that the Palestine National Council was prepared to endorse Resolution 242 as part of its declaration of independence.

The crucial test would be whether the council would endorse Resolution 242 alone, or whether it would couple this endorsement with that of other resolutions that Israel finds unacceptable, a spokesman for the Foreign Ministry, Alon Liel, said Sunday.

"It all depends on how they say it," he said.

"If they say we recognize 242 by itself, then this is a change," he added. "But if they say 'We recognize 242 along with the rest of the UN resolutions or in exchange for self-determination for Palestinians' then this is not new."

Mr. Liel said that Israel is opposed to the Palestinian declaration of independence because it is a unilateral step and not the result of negotiations with Israel, and because it is likely to be based on General Assembly Resolution 181, which originally called for the partition of Palestine into separate Jewish and Arab states.

Hard-line factions of the Palestine Liberation Organization said they would not walk out of the PNC meeting even though it appeared late Sunday that they had lost their bid to block a peace initiative by the group. The Washington Post reported from Algiers.

These factions, led by Mr. Hashash and Nayef Hawatmeh, recommitment themselves Sunday to holding together the PLO alliance that reunited the badly splintered organization in April 1987.

"Unity is the foundation for everyone," said Abu Ali Mustafa, Mr. Hashash's representative on the PLO's executive committee. "We want to preserve the right to register our reservations, but we want to remain allies and friends."

CABINET: Bush Priorities

(Continued from page 1)

the frenzy of Wall Street and the money changers." Mr. Domenici said. "But it's not going to get solved next week or next month. That's an extraordinary expectation. I think it'll get solved about July or August."

Congressional sources, meanwhile, said Mr. Bush was expected to replace Elliott Abrams, the assistant secretary of state for inter-American affairs, Mr. Abrams, 40, has been a sometimes controversial defender of Mr. Reagan's policies in Central America and has clashed with the Democratic-controlled Congress.

Strong Role for Baker

Bernard Weinraub and Peter T. Kilborn of The New York Times reported earlier from Washington:

The next cabinet is shaping up in a way that promises broad influence for James A. Baker 3d, the newly designated secretary of state, according to aides to Mr. Bush.

The aides say the most powerful policy positions are likely to be filled with pragmatic middle-of-the-road Republicans with strong ties to both Mr. Bush and Mr. Baker.

According to one plan now under consideration, Mr. Baker would extend his reach into budgetary and domestic matters through the appointment of his former deputy at the Treasury Department, Richard G. Darman, as director of the White House Office of Management and Budget.

Moreover, Mr. Baker would play a stronger role than customary for a secretary of state in shaping both international and domestic economic policy through a close connection with Nicholas F. Brady, who is expected to remain Treasury secretary.

Several Bush aides cautioned that the details of the plan were still not definite. For one thing, Mr. Bush in the past has not felt close to Mr. Darman, and although their relationship warmed during the campaign he could still bridle at naming the assertive Mr. Darman as budget director.

But there is general agreement, according to Bush campaign aides and transition officials, that Mr. Baker, who ran the vice president's campaign and is one of his closest friends, will move beyond foreign policy and play a central advisory role in his decisions, ranging from cabinet choices to the organization of the White House staff to relations with Congress.

Edward A. Rollins, a Republican strategist who is close to the Bush camp, said, "For all practical purposes, Jim Baker will be deputy president."

TOXIC: A Pacific Plan for Waste

(Continued from page 1)

with its waste cargo in August 1986, the vessel has been rejected by 13 countries on five continents.

Mr. Vallette, who monitors the international waste trade for the Washington office of Greenpeace, was reached by telephone in Geneva, where he was taking part in an eight-day United Nations conference attended by experts from 50 countries.

The meeting, which began Nov. 7, was called to draft an international treaty to control disposal of toxic waste and prevent its illegal dumping in developing countries.

Mostafa Tolba, executive director of the UN Environment Program, said it would be difficult to eliminate the illegal trade in poisonous waste because of the money involved. But he said it could be combated with an international agreement that places responsibility for control firmly on exporting countries.

Under the draft convention being debated in Geneva, exporters must disclose the type and amount of waste, and importing countries must give written consent and show they can handle the material safely.

Dan Fleming, a senior executive of Admiralty Pacific Inc. of Oakland, California, said a team of experts would arrive in the Marshall Islands later this month to conduct engineering and environmental studies on a plan to use nontoxic garbage to fill lagoons in several of the low-lying atolls.

He said the company wanted to begin shipping 3.5 million tons of waste in 1990, huddling up to seven million tons by 1995.

Mr. Fleming said waste disposal in the United States was becoming more difficult because most dumpsites were filling up, and because burning garbage could produce hazardous by-products.

Oscar de Brum, chief secretary of the Marshall Islands, said the government was interested in the proposal.

Promoters say the Marshalls can earn up to \$56 million a year by 1995 if the plan is approved.

BUSH: Transition of Sun and Sea

(Continued from page 1)

Campbell Jr. of South Carolina, Governor Thomas H. Kean of New Jersey and Richard Nixon.

For the record, Mr. Hart added, these conversations had nothing to do with the other, Washington, transition.

Mr. Bush was in an upbeat, almost giddy mood; so good, in fact, that when he returned from his two-mile run and encountered an Associated Press reporter, Rita Beamish, on a jog of her own at the entrance of the Farish driveway, he invited her in for a swim.

"I haven't really gotten down to the bottom of the unwinding yet," Mr. Bush told the reporter.

Then the president-elect, who

was often criticized during the campaign for being inaccessible to the press, invited her for a dinghy ride out to a patrolling Coast Guard catamaran. He then swam most of the distance back, allowing himself to be towed part way by a dinghy.

Less athletic reporters, gathered for a briefing on the day's events later, listened as the AP reporter related details of the strenuous but essentially news-free encounter, down to the color of the shorts the president-elect wore. They were blue.

"He's in really good shape," said the 36-year-old reporter, who often runs five to eight miles a day. "He's got really good legs for his age."

POLICY: Arms Control Is Expected to Become a Cornerstone for Bush

(Continued from page 1)

about a possible Soviet threat, has diminished, and concern has tilted toward living standards and trade competition.

Many current touchstones in security policy are economic questions. These include: credits to the Soviet Union, trade terms, technology embargoes, arms-development cooperation. These issues — in abeyance during the U.S. election year — could, if mishandled by the Bush administration, ignite protectionist quarrels within the alliance.

But failure to restore closer trans-Atlantic harmony on Soviet policy is liable to trigger economic retaliation in the form of a burden-sharing dispute.

To hold the diplomatic initiative, Mr. Bush must produce an arms-control agenda for his administration. He might concentrate, in the Strategic Arms Reduction Talks, on halving the superpower arsenals of intercontinental missiles. Or he might concentrate on the proposed talks to cut conventional forces.

START seems easier. The obstacles left unresolved by the Reagan administration are important but few: verification, missile mobility and the status of cruise missiles.

But Mr. Bush is probably more flexible on two intertwined issues that dogged START while Mr. Reagan was in office: the scope of the strategic defense initiative and the interpretation of the Anti-Ballistic Missile Treaty.

The START negotiating process probably could be pushed ahead far enough and fast enough to force the Pentagon to choose between the MX missile and the Midgetman missile, eliminating one of these expensive, competing land-based nuclear weapons.

But conventional disarmament seems to hold growing appeal for allied governments because these talks, expected to begin early next year, offer a painless solution to European governments squeezed between military manpower shortages and opposition to increased military spending.

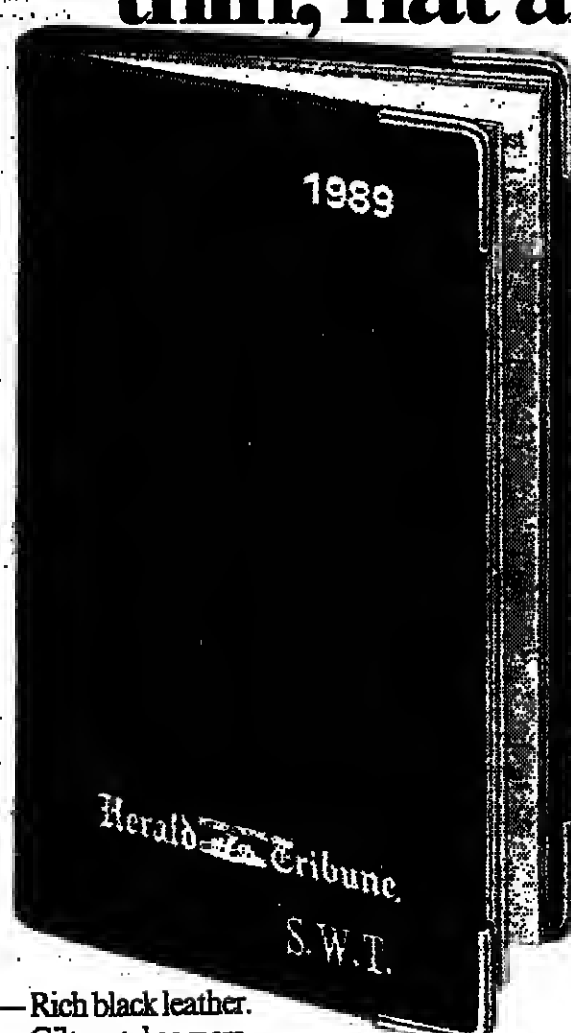
Conventional arms control issues are so complex that talks could bog down, but European leaders have said that two years should be enough to show how far Mr. Gorbatchev can go in fulfilling his promises of a more defensive, less heavily armed Red Army — the "litmus test" of Soviet intentions.

In pursuing an arms-control agenda designed to keep the alliance from unraveling, a pragmatic-minded Bush team may be expected to seek ways of defusing the tough nuclear issues in the North Atlantic Treaty Organization.

West Germany, supported by France, has resisted U.S. and British urging to approve, next year, a new U.S. missile to replace the Lance missile in the mid-1990s.

But the Bush administration might be able to settle for West German acceptance of development of a new missile next year without an unconditional agreement to deploy it. This timetable, however, would require a trade-off, involving West German acceptance of a postponement for the same period of any talks about removing more nuclear arms from Western Europe.

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Urd Technol	70%	97	9.64	+113
Urd 7 edmol	100%	82	9.36	+159
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France	1.36	Italy	1.36
Germany	1.36	Portugal	20.48
Greece	136.63	UK	1.36
Ireland	0.78		
Italy	1.36		
Japan	163.60		
Netherlands	1.36		
Spain	1.66		
UK	1.36		
US	1.36		

Yen Straight

Country	Rate	Country	Rate
Belgium	1.36	Spain	1.66
France	1.36	Italy	1.36
Germany	1.36	Portugal	20.48
Greece	136.63	UK	1.36
Ireland	0.78		
Italy	1.36		
Japan	163.60		
Netherlands	1.36		
Spain	1.66		
UK	1.36		
US	1.36		

EUROBONDS
Market Takes a Breather To Watch Falling Dollar

By CARL GEWIRTZ
International Herald Tribune

PARIS — Activity in the Eurobond market slowed to a crawl last week as investors waited to see what emerged from the weekend attack on the dollar, which fell 3 percent against the Deutsche mark and 2 1/2 percent against the yen. The dollar's battering encountered only token central bank resistance, encouraging speculators to push the currency lower.

By week-end, technical analysts, so-called chartists whose forecasts are based solely on the patterns formed by the daily closing prices of currency rates, were predicting that the dollar could only continue to fall.

Steven Crane, a private London-based chartist, said the week's decline had left the dollar in an "appalling technical condition."

Steven Blitz, a technical analyst at Salomon Brothers Inc. in New York, said the dollar's fall through important resistance levels showed that "there is still a significant amount of selling to come."

The analysts agreed that the dollar is headed down to match its record low of 120 yen from the Friday rate of 122.85 yen in New York and to 1.70 Deutsche marks from 1.7375 DM. Mr. Blitz sees the dollar at those levels before year-end. By the end of the first quarter, he said, the currency could be down to 112 yen and 1.65 DM.

In fact, Mr. Blitz is a lot more optimistic about the dollar than the numbers suggest. He said the current momentum of the decline of the dollar was slowing from the rate of change in earlier downturns. Such "divergences in momentum often presage turning points" suggesting that as it declines, "the dollar may be building a major bottom" and that next year's lows may form the base from which the currency begins a long-term recovery.

Fundamental analysts see things differently. Neal M. Soss, economist at First Boston Corp. in New York and a former assistant to Paul A. Volcker, when he was chairman of the Federal Reserve Board, said the week's fireworks in the foreign exchange market were designed "to remind the new administration that financial stability requires certain action to keep foreign creditors cooperating with the United States."

If the dollar continues to weaken, he said, this week would see central bank "intervention in a convincing and coordinated way" that will hold the dollar "within its trading range of 1.70 to 1.85 DM and 120 to 135 yen."

Intervention this week may be more effective than last week since Washington will report its September trade deficit on Wednesday. Analysts at Credit Suisse First Boston in London warn that speculators may be tempted to repurchase the dollars they have sold just before or after the report. The market "apparently looks for a \$1 billion improvement" from August's sharply increased \$12.2 billion deficit, but Credit Suisse First Boston says the decline could be as large as \$3 billion.

Such an improvement might provide a reprieve for the dollar. But it is questionable whether one month's data would reverse the foreign exchange market's mainstay lack of confidence in the ability of George Bush, the president-elect, to move quickly next year to reduce the budget deficit or improve the outlook for further cutting the trade deficit without a further substantial fall in the dollar.

Mr. Soss is convinced that if the pressure continues the Federal Reserve will raise interest rates. He sees a quarter-point rise in the cost of overnight money, to 8 1/4 percent, by no later than Christmas and an increase to 9 1/2 percent by mid-1989.

Market rates have already moved up. The dollar's drop sparked a sell-off on Wall Street, driving down stock prices. Although the New York bond market was closed Friday for a holiday, U.S. bond prices were knocked down in London. The Treasury's 30-year bond ended the week yielding 9.03 percent, up from 8.91 a week earlier.

Brendan Brown, economist at County NatWest in London, also sees higher U.S. interest rates coming soon. He warned that a lower dollar "would be counterproductive." He said the United States needs a tighter monetary policy to dampen domestic demand, which would result in fewer imports and liberate domestic production for export — rather than a lower dollar, which would fuel inflationary pressures.

Arnold Simkin, London-based economist for Stratocore, disagreed on the likelihood of higher interest rates. He sees the U.S. economy slowing down and also fears that the Fed is hostage to the crisis in the savings and loan industry and the mega-buyouts in the stock market — both of which could become maddening if rates rise sharply.

But this view was challenged by Mr. Soss. "I don't believe that

It is questionable whether Japan and West Germany want to reverse the dollar decline.

Nabisco Battle Could Harness the Buyout Binge

By Anise C. Wallace
New York Times Service

NEW YORK — Revulsion over the frenzied battle to buy RJR Nabisco Inc. for more than \$20 billion may do something that neither the insider-trading scandal nor any other mega-acquisition has accomplished: cause Washington and investors to try to curb takeovers.

Never before has the criticism come from so many quarters. As the scent of hundreds of millions of dollars in fees and profits lures others to join the fray, everyone from prominent Republicans to the institutions that have been financing the mania are wondering whether enough is enough.

Referring specifically to the RJR Nabisco fight, Joseph L. Rice, president of Clayton & Dubilier Inc., a New York leveraged buyout fund, said, "I think it's clearly out of hand."

People on Wall Street saw the concerns expressed last week by Senator Bob Dole, Republican of Kansas and the Senate minority leader, as particularly significant. After all, it was the Republicans' laissez-faire attitude of the past eight years that made the takeover boom possible.

At a seminar sponsored by the American Stock Exchange, Mr. Dole raised the possibility that Congress might revise the tax code to curb acquisitions financed largely by borrowed funds.

Worried about the huge amount of debt that these deals are piling onto corporations, Alan Greenspan, chairman of the Federal Reserve Board, last month suggested that the Senate consider such action and urged bankers to show caution in takeover lending.

Whether they heed such advice remains to be seen.

But clearly some bankers and institutional lenders who have been financing the wave of buyouts are becoming skittish — about the higher stakes, the nastier tone of the battles and the possibility that their own companies could be the next to be swept away.

At least one corporate pension official who is a limited partner in the Forstmann, Little & Co. buyout fund plans to question the wisdom of the buyout firm joining the bidding for RJR Nabisco at a partners' meeting scheduled for Tuesday.

It remains to be seen whether fear will prevail over greed. The people fighting for RJR Nabisco are "all motivated by that basic human motivation: greed," said Harvey P. Eisen, president of Integrated Resources Asset Management, which invests \$5 billion for clients.

The potential for billions of dollars in fees and profits explains why everyone involved in the takeover is so reluctant to leave the party.

Investment banks and law firms were rewarded with \$200 million in fees after Campeau Corp. acquired Federated Department Stores last spring, after an 11-week battle.

Estimates of the potential fees from an RJR Nabisco deal run as high as \$500 million. The buyout fee could total \$80 million to \$100 million; the junk bond underwriting

and bank commitment fees could reach \$250 million; and merger and advisory fees could add another \$50 million to \$100 million. Sales of any of the food and tobacco businesses would earn the investment banking firms another \$25 million to \$75 million.

But the bankers are not the only ones who stand to reap extraordinary profits. The management group has proposed a compensation package for RJR Nabisco executives involved in the deal that could enrich some individuals by more than \$100 million.

"It offends my senses that these guys are making this much money," Mr. Eisen said. "They're not investing a cure for cancer."

The management group led by F. Ross Johnson, chief executive of RJR Nabisco, said last week that it was studying ways to share any potential profits with a larger group of managers.

The RJR Nabisco battle so far pits Kohlberg Kravis Roberts & Co., whose pioneering deals unleashed the flurry of buyouts, against the group led by Mr.

Johnson and Shearson Lehman Hutton, the investment bank.

Forstmann, Little is considering teaming up with Procter & Gamble, Castle & Cooke and Ralston Purina to make still another offer.

In a leveraged buyout, a group of investors, including management, uses borrowed money and some of its own to buy the company's stock from its public shareholders.

In the past, these companies have profited by drastically cutting costs and from the later resale of the company or its divisions. Those in favor of these transactions argue that managers with a financial stake in the company are more productive and efficient.

But critics say the heavy use of debt is putting a strain on the financial system, which will be sorely tested in a period of economic weakness. They also cite the devastation to bondholders when a company takes on additional debt.

In response to a question about the effect, See CURB, Page 11



Announcing plans in Moscow for last year's big petrochemicals joint venture, in November, were, from left, Francesco Russo and Pasquale Langolfi of Montedison of Italy; Armand Hammer; and S. Koshiba of Marubeni Corp., the Japanese partner.

Soviet-Japan Deal a Blow to Occidental

By Andrea Adelson
New York Times Service

LOS ANGELES — The agreement just reached between a Japanese consortium and the Soviet Union to study a giant petrochemicals complex is seen as a setback to Occidental Petroleum Corp., which announced in June that it intended to head the project in Siberia with Western partners.

The Japanese deal is a sign that Armand Hammer, the chairman and chief executive of Occidental, who has had unmitigated success in the Soviet Union, is finding Moscow a more competitive place.

The Japanese partners in the deal, for a complex costing up to \$6 billion, are Mitsubishi Corp., Mitsui & Co. and Chiyoda Corp., it was announced Friday. Some reports said that an American concern, Combustion Engineering Inc., was also part of the group. A spokesman for that company could not say Friday whether it was a participant.

Occidental, an oil and chemical company based in Los Angeles, has been the Soviet Union's largest American trading partner for the past decade.

The agreement with the Japanese, announced in Moscow, could be a sign that Occidental's role is diminishing as European, Japanese and other American companies move to establish footholds in the Soviet market.

"It comes at a time when the Soviets are aggressively seeking foreign capital and technology," the Japanese offered such attractive terms that the project was awarded to them," Mr. Hammer said in a statement.

In an interview last week, Mr. Hammer appeared unconcerned that Occidental might soon be eclipsed by its rivals in the Soviet market. "We think we're still in a good position to take advantage of opportunities," he said.

He added that no single company could expect to monopolize Soviet trade, no matter how well connected its executives might be.

In the past 20 years, at least five other proposed business deals between Occidental and the Soviet Union failed to materialize after being announced with some fanfare.

"They gave it to other companies or they found they could do it themselves," Mr. Hammer said. "Future companies have to remember that."

In addition, the Soviet Union, with its strict currency rules and daunting bureaucracy, remains one of the world's most difficult markets to penetrate.

The flurry of announcements of Occidental-Soviet deals has created an exaggerated impression of their importance to the Los Angeles-based oil and chemical company.

"There's been more hype than success, but

substantial success," said Professor Marshall I. Goldman, associate director of Harvard's Russian Research Center. "As a portion of Occidental's business, it's a small percentage."

But Mr. Goldman stressed that Mr. Hammer had "accomplished more than anyone else" with the Soviets.

A consortium of six of America's largest companies has been working for months to conclude what is expected to be the largest and most complex joint venture with the Soviets.

Occidental's largest Soviet venture is a 20-year barter deal for fertilizer chemicals, which was valued at \$20 billion when it was struck in 1973.

Except for a 14-month embargo on phosphate, imposed by President Jimmy Carter after the Soviet incursion into Afghanistan in 1979, the fertilizer deal has been profitable, Mr. Hammer said.

Last November, Occidental, the Italian companies Montedison SPA and Eni Nazionale Idrocarburi, and Marubeni Corp. of Japan agreed to develop and operate a \$6 billion petrochemical plant at Yagis, near the Caspian Sea.

Without partners, Occidental in April made a \$200 million deal to build and operate two polyvinyl chloride plants at Kakhul, in the Soviet Ukraine.

The Soviets will pay for half of both complexes.

U.S. and Japan Said to Plan Currency Talks

Compiled by the Staff From Despatches

TOKYO — Senior Japanese and U.S. monetary officials are expected to hold talks in Paris this week to discuss ways to stabilize exchange rates, the Kyodo News Service said Sunday, quoting government sources.

Tsuyoshi Goyen, Japan's vice finance minister for international affairs, is to meet David C. Mulford, assistant secretary of the Treasury, the sources said. The two officials are both scheduled to be there to attend a meeting of the Economic Policy Committee of the Organization for Economic Cooperation and Development starting Monday.

The sources said there was also a possibility of an unofficial meeting of deputy finance ministers of the Group of Seven major industrial nations during the two-day OECD meeting.

Faced with the dollar's recent plunge against other leading currencies, the deputy ministers would reaffirm the principle of policy coordination among the monetary authorities of Britain, Canada, France, Italy, Japan, the United States and West Germany, the sources said.

Japanese Finance Ministry officials were not available to confirm the Kyoto report.

Foreign exchange dealers have said the dollar could continue to fall this week, although the value of the currency may be affected by the U.S. trade figures for September, to be released Wednesday.

The recent dollar decline began after the U.S. presidential election on Tuesday. Traders said the slide was prompted by uncertainty over the monetary stance of the next U.S. administration under George Bush, the president-elect, as well as doubts about whether the Group of Seven is still in accord on exchange-rate policies.

In New York, the dollar has fallen 2.3 percent against the yen, to 122.85, and 2.9 percent against the Deutsche mark, to 1.7375, since the election.

The current administration, including members expected to remain after the inauguration of Mr. Bush on Jan. 20, is showing few signs of concern, by word or deed, about the falling dollar.

"The administration is not pushing the dollar down," an official who declined to be named said Friday.

In response to speculation in the financial markets that the Reagan administration or Mr. Bush's transition team might merely be tolerating a decline, the official said, "The dollar has gone down over the last few days. Is that toleration or not? Tolerate it or not? The policy is neither one of benign neglect nor one of pushing it down."

The official, who is familiar with currency policy, also implied that the exchange rate of the dollar was still within the secret limits that the United States established in agreement with its leading trading partners, including Japan and West Germany.

"In the game of exchange rates, you have to tolerate a range of ups and downs," the official said.

Interco Offer Extended but With Limit

NEW YORK — The investor group waging a \$2.7 billion hostile bid to acquire Interco Inc. said Sunday that it was extending its offer by two days, but threatened to withdraw it if the company continued refusing to negotiate.

Cardinal Acquisition Corp. extended its \$74-a-share cash tender offer, which was to expire at midnight Monday, through midnight Wednesday.

The group, headed by the brothers Steven and Mitchell Rales of Washington, in a letter to Interco's board also stated that it would terminate the offer if the company had not agreed by 5 P.M. Wednesday to give the group confidential corporate information or enter into buyout talks.

Cardinal Acquisition announced last Wednesday that Interco stockholders had tendered 29.6 million shares under its offer. Combined with the 3.2 million shares the group already owns, that would give the Raleses control of 92 percent of Interco's shares outstanding.

In its letter, the group contended that the only barrier to completion of a buyout was the company's refusal to withdraw its poison pill takeover defense.

Last week, the Delaware Chancery Court enjoined the use of the defense, but Interco has appealed the decision to the Delaware Supreme Court, which agreed to hear the appeal on Nov. 30. Interco, which is based in St. Louis, Missouri, is incorporated in Delaware.

Japanese Cowboys Find a Home on the Range

By Fred Hiatt
Washington Post Service

TOKYO — Last summer, after years of pressure from Washington, the Japanese agreed to allow American beef producers to sell more meat in Japan. Then the Japanese set about the business of becoming American beef producers.

When a Tokyo meat wholesaler, Zenchiku Co., bought the 77,000-acre (30,800-hectare) Selkirk ranch in Montana for \$13 million a few days ago, it was not the first and certainly will not be the last Japanese foray into cowboy country.

With beef imports set to rise by 60,000 tons a year on the way to full liberalization in the 1990s, Japanese companies are increasingly interested in buying cattle ranches and meat-processing plants in the United States.

Japanese attraction to such acquisitions "has definitely gone up, and we feel there will be more in the future," said David P. Quigley, Asian director of the U.S. Meat Export Federation, a quasi-governmental association.

"For a while, we were running two or three tours per week" by prospective buyers to the United States, he said. "We almost wanted to set up a travel department."

Japanese investment in the U.S. beef industry so far has not been as heavy as in Australia, where it has sparked protests and fears among Australian cattlemen that only Japanese companies' beef products will succeed in the newly opened Japanese market.

But even in the United States, where Japanese investment in general has become an issue and foreign purchases of ranchland sometimes strike an especially sensitive

chord, it is provoking mixed reaction.

"The whole point in opening up the Japanese market was for American producers to be able to sell here," said Billy Cody, director of Oregon's Japan Representative Office in Tokyo. "It's not a question of needing Japanese capital to develop the industry. We have an industry. We already produce very good products."

"So what is the mentality that refuses to buy our products?" he asked. "What is the necessity to come and buy our products?"

Japan's response to the opening of its market to foreign beef, historically closed to most imports, mirrors its reaction to domestic market access by foreign industry in general.

As international pressure and changes in currency exchange rates have made Japan more hospitable to foreign products, Japanese firms have begun supplying many of those "foreign" products by selling U.S.-made Honda Accord, South Korean-made Toshiba videotape recorders and similarly produced goods in Japan.

As Japanese ranchers herd their cattle, brushing them and feeding them beer to make them tender, so Japan's quotas and tariffs have made the beef industry among the most coddled in the country. A pound of hamburger beef, as a result, can cost \$12 or more.

But even as the government was still resisting U.S. pressure for market access last spring, Japanese firms were preparing for the even-

'What is the mentality that refuses to buy our products? What is the necessity to come and buy our products?'
Billy Cody, director of Oregon's Japan Representative Office in Tokyo.

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Last Week's Markets
All figures are as of close of trading Friday

Stock Indexes	Nov. 11	Nov. 4	Chg%
United States	2,667.03	2,645.00	-0.87%
DJ Index	182.55	183.31	-1.91%
DJ 100	99.38	99.28	-2.17%
S & P 500	254.77	254.17	-2.36%
S & P 400	267.92	267.31	-2.16%
S & P 600	268.12	267.51	-2.17%
NYSE	151.24	150.70	-2.36%
FTSE 100	1,802.70	1,804.20	-1.71%
FT 30	1,461.20	1,465.80	-1.64%
Nikkei 225	26,489.57	27,553.25	+1.92%
West Germany	1,564.30	1,618.50	-2.75%
Commerzbank	2,583.74	2,584.51	-0.03%
World	476.30	475.80	+0.11%

Money Rates	Nov. 11	Nov. 4	Chg%
12-month rate	8.5/16	8.5/16	0.00%
Prime rate	10.00	10.00	0.00%
3-month rate	8.5/16	8.5/16	0.00%
6-month rate	8.5/16	8.5/16	0.00%
9-month rate	8.5/16	8.5/16	0.00%
12-month rate	8.5/16	8.5/16	0.00%
15-month rate	8.5/16	8.5/16	0.00%
18-month rate	8.5/16	8.5/16	0.00%
21-month rate	8.5/16	8.5/16	0.00%
24-month rate	8.5/16	8.5/16	0.00%

Commodity Prices	Nov. 11	Nov. 4	Chg%
Gold	376.00	375.00	+0.11%
Silver	16.00	16.00	0.00%
Copper	1.50	1.50	0.00%
Aluminum	1.00	1.00	0.00%
Steel	1.00	1.00	0.00%
Crude Oil	1.00	1.00	0.00%
Natural Gas	1.00	1.00	0.00%
Wheat	1.00	1.00	0.00%
Corn	1.00	1.00	0.00%
Soybeans	1.00	1.00	0.00%

Foreign Exchange	Nov. 11	Nov. 4	Chg%
Yen	122.85	122.85	0.00%
DM	1.7375	1.7375	0.00%
£	1.6456	1.6456	0.00%
¥	163.60	163.60	0.00%
₹	163.60	163.60	0.00%
₦	163.60	163.60	0.00%
₧	163.60	163.60	0.00%
₡	163.60	163.60	0.00%
₢	163.60	163.60	0.00%
₣	163.60	163.60	0.00%

Interest Rates	Nov. 11	Nov. 4	Chg%
3-month rate	8.5/16	8.5/16	0.00%
6-month rate	8.5/16	8.5/16	0.00%
9-month rate	8.5/16	8.5/16	0.00%
12-month rate	8.5/16	8.5/16	0.00%
15-month rate	8.5/16	8.5/16	0.00%
18-month rate	8.5/16	8.5/16	0.00%
21-month rate	8.5/16	8.5/16	0.00%
24-month rate	8.5/16	8.5/16	0.00%
27-month rate	8.5/16	8.5/16	0.00%
30-month rate	8.5/16	8.5/16	0.00%

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OTC Consolidated trading for week ended Friday. Nov. 11

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New International Bond Issues

Compiled by Laurence Deville

Issuer	Amount (millions)	Mat.	Coups %	Price	End week	Terms
FLLOATING RATE NOTES						
Portugal	\$700	1993	0.05	100	99.93	Over 6-month Libor, Collateral at par in 1990. Fees 0.05%. Denominations \$10,000. (Credit Suisse First Boston.)
Leeds Permanent Building Society	£135	1998	1/4	100	—	Over 3-month Libor, Collateral at par in 1993. Fees 0.30%. Denominations £10,000. (CSFB)
FIXED-COUPON						
Stop & Shop Finance Int'l	\$200	1996	10%	101 1/4	100.23	Noncallable. Fees 2%. Denominations \$10,000. (Barclays Int'l)
Nichirei Finance (U.S.A.)	DM 60	1993	5%	101 1/4	99.88	Noncallable private placement. Fees 1% (Bank of Tokyo Deutschland)
WestLB Int'l	DM 100	1994	5%	100 1/4	99.50	Noncallable. Fees not disclosed. (WestLB)
Blue Circle Industries	£150	2013	10%	99 1/4	—	Noncallable. Fees not disclosed. (Barclays Brothers & Co.)
European Investment Bank	DF 150	1998	6%	101 1/4	99.25	Noncallable. Fees 2%. (Amsterdam-Rotterdam Bank)
Goodman Fielder Industries	DF 125	1993	6%	101 1/4	99.88	Noncallable. Fees 1 1/2%. (Amro)
Nichirei Finance (Holland)	DF 50	1993	6%	100 1/4	99.38	Noncallable private placement. Fees 1 1/2% (Algemeene Bank Nederland)
Rabobank Nederland	DF 200	1995	6%	101	99.75	Noncallable. Fees 1 1/2% (Rabobank Nederland)
VNU	DF 100	1993	6	101 1/4	—	Noncallable. Fees 1 1/2% (Bank Mees & Hope)
Creditanstalt Bawaria	ECU 100	1993	7%	101 1/4	99.73	Noncallable. Fees 1 1/2% (Wittmayer Finance Int'l)
European Community	ECU 100	1991	7%	101 1/4	99.83	Noncallable. Fees 1 1/2% (CSFB)
European Community	ECU 100	1992	7%	101 1/4	99.75	Noncallable. Fees 1 1/2% (CSFB)
European Community	ECU 150	1993	7%	101 1/4	99.88	Noncallable. Fees 1 1/2% (CSFB)
Toyota Motor Credit	ECU 150	1993	7%	101 1/4	99.63	Noncallable. Fees 1 1/2% (Union Bank of Switzerland Securities)
Post-Oh Kreditbank	CS 120	1989	10%	100 1/4	—	Noncallable. Fees 1 1/2% (Banque Paribas Capital Markets)
Canadian Imperial Bank of Commerce (Australia)	Aus \$90	1990	14%	101 1/4	100.25	Noncallable. Fees 1 1/2% (Salomon Brothers Int'l)
Deutsche Bank Finance	Aus \$100	1995	12%	99 1/4	97.63	Noncallable. Fees 2%. (Deutsche Bank Capital Markets)
NordLB Luxembourg	Aus \$50	1991	14	101 1/4	100.25	Noncallable. Fees 1 1/2% (Norddeutsche Landesbank)
Royal TrustCo	Aus \$75	1993	13%	101 1/4	99.63	Noncallable. Fees 2%. (Wood Gundy)
South Australia Government Financing Authority	Aus \$100	1994	zero	53 1/2	53.13	Yield 13 1/2%. Noncallable. Fees 1 1/2% (Hambros Bank)
State Bank of New South Wales	Aus \$100	1993	13%	102	99.88	Noncallable. Fees 2%. (CSFB)
Unilever Capital	Aus \$100	1993	13	102	100.00	Noncallable. Fees 2%. (Deutsche Bank)
Alliance & Leicester Building Society	£10,000	1995	2	101 1/4	—	Coupon will be 2% until 1992 and 8% thereafter. Noncallable. Fees 1 1/2% (Mitsubishi Trust Int'l)
Nordic Investment Bank	¥30,000	1994	4%	101 1/4	—	Noncallable. Fees 1 1/2% (JRI Int'l)
EQUITY-LINKED						
Hitachi Construction Machinery	\$100	1992	open	100	101.25	Coupon indicated at 5%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an exercise price of 20% premium. Fees 2 1/2%. Terms to be set Nov. 18. (Nomura Int'l)
Mary Industries	\$50	1992	5%	100	101.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 90¢ per share and at 124.95¢ per share. Fees 2 1/2%. (Nomura Int'l)
OSG	\$30	1992	5%	100	—	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 93¢ per share and at 126.30¢ per share. Fees 2 1/2%. (New Japan Securities Europe)

EUROBONDS: Market Pauses to Consider Dollar

(Continued from first finance page)

fiscal or monetary policy is hostage to financial structures. We have tools to deal with specific problems, policy has to be structured to the needs of the economy — and those needs are for tightening.

Mr. Brown concurs, arguing that to delay raising interest rates will only permit inflationary pressures to build up and require even larger rate hikes at a later date. It would be better to "fine-tune now" with smaller increases than to put it off, he said.

However, higher interest rates, if they come, are not expected to do much to help revive the dollar.

Richard Koo, Tokyo-based economist for Nomura Research Institute, said there were "huge sell orders" of the dollar at 127 yen by Japanese institutional investors who had been caught by the sharp fall in the rate. The expected dollar sales would effectively set a lid on how high the dollar could rise.

Mr. Koo said that most of last week's dollar sales in Japan were from interbank traders and that institutional investors had not yet joined the bandwagon in any big way. If that changes, he warned, not only would the decline of the dollar pick up speed, but it would also probably be accompanied by a sell-off of dollar-denominated assets, triggering further weakness on Wall Street.

As for the likelihood of intensified central bank intervention, it is questionable whether Japan and West Germany want to reverse the decline of the dollar at this point. A more expensive dollar would slow the reduction of the U.S. trade deficit and further widen the trade surplus of Japan and West Germany, which already are increasing, as well as add to inflationary pressures.

Doubts about West Germany's willingness to engage in massive support operations were fed by Helmut Schlesinger, vice president of the Bundesbank, who last week cautioned that domestic price stability must not be sacrificed for the sake of international cooperation. Attempts to achieve too

much through international cooperation, he said, restating a point the West German central bank has often made, could place excessive burdens on a country's domestic monetary policy.

"Monetary policy would be overburdened if at the same time it alone were expected to stabilize exchange rates, to keep inflation rates low and to facilitate high economic growth and, of course, provide for low interest rates," he said.

Regardless of what intervention takes place, Mr. Brown sees limited upside potential for the dollar because "the trend in European interest rates is likely to be upwards in coming months." German money market rates could rise by a quarter to half a point over the coming quarter as the Bundesbank responds to monetary growth above target amidst evidence of economic buoyancy.

Mr. Brown added, "The prospect of a modest rise in German rates together with the enhanced appeal of DM Eurobonds could bring new tensions in the European Monetary System — to which the Banque de France would react by allowing some rise in rates, especially in view of the optimistic forecasts for French economic growth."

The enhanced appeal of Deutsche mark Eurobonds stems from the government's decision to apply next year's 10 percent withholding tax on domestic interest only on the coupon payment date, rather than have the tax accrue as the bonds are traded. This method will be applied for the next three years, at which point, the government last week said, the procedure will be reviewed.

The move means that foreign investors effectively can escape paying the tax as long as they do not hold paper on the payment date. DM Eurobond prices have dropped sharply, while domestic bond prices have risen. Until recently, yields on tax-free Eurobonds were 60 basis points, or 0.6 percentage point, lower than comparable dated domestic bonds. Alparably dated domestic bonds, though prices are still moving, many analysts believe the reduced liquidity of Eurobonds will push yields 25 basis points over domestic paper.

Despite the favorable tax ruling and the currency's appreciation, there was little foreign demand for DM paper last week. In fact, that was the situation in all sectors of the market.

The Australian dollar sector was active with seven new issues launched — far too many for a market dominated by retail investors. Rising domestic interest rates — which have pushed the Australian dollar to a four-year high against the U.S. currency — have enhanced the potential for borrowers to swap the proceeds of Eurobonds into over lower-cost floating dollars.

But bankers say investors are reluctant to buy the new issues with the currency valued so high. In the European currency unit sector, triple-A-rated Toyota Motor Credit Corp., the U.S. finance company of the Japanese auto giant, offered 150 million of five-year bonds priced to match the 150 million of European Community paper carrying a maturity of four years and two months.

Many professionals thought Toyota's pricing too tight. In the aftermath of heavy selling, Union Bank of Switzerland, the lead manager, let the price slip to a discount of 2 1/4 points. That was 1/4 point outside the fees paid to underwriters and set off bowls of protest.

Despite investor aversion to U.S. corporate issues, a weak credit currently involved in a management buyout was able to market \$200 million of eight-year bonds.

Stop & Shop Finance International collateralized the issue with property valued at \$332 million and obtained the guarantee of Financial Security Assurance on the interest and principal payments of the bond issue. This gave the issue a triple-A rating, and investors were even protected against the credit standing of FSA since it can be replaced as guarantor if its own current triple-A rating falls below single-A.

All that plus a coupon of 10 1/4 percent, a whopping 116 basis points over yields on U.S. Treasury bonds, meant the issue was a sell-out.

CURB: Buyouts Could Backfire as Criticism Grows

(Continued from first finance page)

fect of leveraged buyouts on bondholders, George Roberts, one of the founding partners of Kohlberg Kravis last week said, "they should have had covenants" to protect against them from leveraged deals like the one he is proposing.

Originally, Kohlberg Kravis and a handful of other buyout firms had this lucrative business to themselves.

Until recently, Wall Street firms acted strictly as advisers and underwriters in leveraged buyouts, sending deals to the buyout firms, who rewarded them with banking business. They did not invest as principals.

But in the past few years, investment banks such as Shearson, Merrill Lynch and Morgan Stanley have begun raising pools of capital to invest. By last summer there was an estimated \$25 billion in equity capital, which could finance deals totaling \$250 billion.

A great deal of the capital behind the leveraged buyout funds comes from corporate and state pension funds. Attracted by annual returns of 40 percent to 70 percent a year, these institutional investors committed billions of dollars to buyout funds.

But the mad rush to invest in them has given rise to a byzantine web of conflicting relationships. The pension fund of RJR Na-

bisco, for instance, is a limited partner in the Forstmann. Little buyout fund that is considering a bid for RJR Nabisco. And while Ralston Purina is one of Forstmann's partners, the Ralston Purina pension fund is a partner in the Kohlberg Kravis fund.

While institutional investors may try to pressure the buyout funds to slow the pace, these institutions are legally committed to provide the capital they previously pledged.

Thus, like some creature devouring itself, they may be forced by the takeover pools they created to auction off their own companies to the highest bidder.

Good Times for Cost-Cutters

By Carl Gewirtz

International Herald Tribune

PARIS — Portugal came to the international market for \$700 million last week. But instead of raising the money through a syndicated bank credit, as expected, it opted for a floating rate Eurobond.

As the first member of the Organization for Economic Cooperation and Development to tap the market since Australia's \$600 million floating rate note in late 1986, Portugal sought to cash in on investor appetite for sovereign paper. This appetite has driven yields down sharply at a time when the available stock of such securities is declining.

Over the past three years, \$42 billion of such notes have been called for early redemption: in the first nine months of this year, another \$8 billion has been repaid prematurely.

This is the result of sovereign or state-guaranteed issuers finding lower-cost sources of money — from either the fast developing Euro-commercial paper market, or as the result of swaps from fixed-coupon issues into floating paper at costs substantially below the London interbank offered rate.

The European Commission, for example, last week issued 350 million European currency units (\$415 million) of Eurobonds that will replace a floating rate note issued of the same amount in 1986, paying interest of 3 1/2 basis points over Libor.

As a result of the bond swap, the commission will now be paying about 45 basis points below Libor for its money.

Portugal itself raises money in the commercial paper market at Libor, the average of the bid/offer London interbank rate. But, in the search of five-year money, Portugal needed to tap either the credit or the bond market. In the credit market, bankers said it would have had to pay between 15 to 17 1/2 basis points over Libor.

But in the floating rate market, where the increasingly rare French or Italian guaranteed issues are trading to yield 30 basis points below Libor, Portugal's lead manager, Credit Suisse First Boston, be-

lieves the country can raise money at a cost of 6 basis points over Libor. This is the result of an interest rate of 5 basis points over Libor and front-end fees of 5 basis points — both considered exceedingly thin by market participants.

Credit Suisse First Boston officials noted that floating rate notes of Ireland, deemed to be of similar

the availability period, the company will pay a facility fee of 12 1/2 basis points and a drawing charge of 4 1/2 basis points.

In the takeover market, Midland Bank is reported to be organizing a loan of £1.2 billion to finance Bond Corp.'s effort to gain control of Lombar.

Safim, the credit arm of the Italian state-owned holding company Efim, is seeking a \$150 million, five-year loan that has captured the attention of many market participants. That is because the lead manager, Manufacturers Hanover Trust, is marketing the credit with interest set at 15 basis points over Libor for the first three years and 17 1/2 basis points over Libor thereafter.

The terms contrast rather sharply with a loan just arranged by Citicorp for Agusta, another company in the Efim group, bearing interest of 20 basis points over Libor for seven years. Agusta, an aerospace firm, is 98 percent owned by Efim.

Officials at Manufacturers Hanover stress that under Italian law, Efim is legally liable for the debts of subsidiaries that are 100 percent owned, such as Safim, and that justifies the lower pricing than that paid by Agusta — a view not shared by all participants.

Safim, which had been expected to come to the market for \$200 million, will pay a commitment fee of 7 basis points if less than half the loan is drawn and 5 basis points if more than half is used. Front-end fees of 15 basis points are offered to banks underwriting \$15 million.

Storebrand Finance, Norway's second largest financial company, named Merrill Lynch to arrange a \$100 million loan. Interest is set at 27 1/2 basis points over Libor but rises 2 1/2 basis points if more than one-third is drawn and rises 7 1/2 basis points if more than two-thirds is drawn.

Dymo Industrier, also of Norway, appointed County NatWest to organize a \$100 million, seven-year standby facility. The facility fee is 8 1/2 basis points on the available portion (at least \$75 million) and 6 1/2 basis points on the amount designated unavailable (no more than \$25 million).

The drawing charge is set at 12 1/2 basis points over Libor during the first four years and 15 basis points thereafter. If more than half the loan is drawn, there will be an additional fee of 5 basis points.

Credit Commercial de France is arranging a loan of 100 million European currency units for Istituto Bancario San Paolo di Torino. Half the amount is available to draw immediately and the other half over seven months.

The commitment fee is 10 basis points and the interest charge is 15 basis points over Libor for the first three years and then 20 basis points.

Fear of Fed Tightening Cinches Price Decline

United Press International

NEW YORK — A general perception that the Federal Reserve Board is slowly restricting the availability of credit and growing fears of a possible discount rate increase helped push the bond market lower on the week.

The price of the Treasury's 9 1/2 percent bond that matures in 2018 fell during the week, closing Thursday at 102 1/2/32 from 102 5/8/32 the previous Friday. Its yield rose to 9.04 percent from 8.91 percent. U.S. credit markets were closed

surprised to see the Fed raise its discount rate, the interest charged on loans to banking institutions, before long. The discount rate currently stands at 6.5 percent.

"Inflation is on the move," said H. Erich Heinemann, chief economist at Ladenburg, Thalmann & Co. "As a result, the Fed is slowly tightening."

U.S. CREDIT MARKETS

Friday for the Veterans Day holiday.

The price of the government's latest 10-year notes fell to 99 16/32 for a yield of 8.95 percent, compared with a price of 102 19/32 and an 8.84 percent yield the week before.

In the mortgage sector, Government National Mortgage Association issues declined about 1/4 point on the week.

Among corporates, about \$1 billion in high-yield, or junk, bonds were issued. But no new investment-grade fixed-rate debt came to market.

Short-term rates rose 10 to 30 basis points for the week. The spread between two- and 10-year notes narrowed to 33 basis points, its smallest level since early 1984, said Peter Niculescu, a vice president of Salomon Brothers Inc.'s bond market research group.

The federal funds rate — the interest charged on overnight loans between banks — ended with little change at about 8 1/2 percent, up from 8 1/16 percent.

Fears of higher interest rates resurfaced last week after the Labor Department released a stronger than expected employment report. It showed a 323,000 rise in non-payroll jobs in October and a drop in unemployment to 5.3 percent.

Another Labor Department report, issued Thursday, showed wholesale prices were mixed in October following a 0.4 percent rise in September. The October result was the slowest rate of wholesale inflation since a 0.2 percent decline in February.

But economists said the wholesale price report did not mean inflationary pressures have disappeared, and securities market participants said they would not be

U.S. Treasuries

Maturity	Close	Ask	Yld	Wk. ago
30.09.90	99 10/32	99 12/32	8.62	8.62
15.05.91	99 15/32	99 17/32	8.69	8.50
30.09.92	100	100 1/32	8.73	8.54
15.02.93	100 21/32	100 23/32	8.78	8.59
15.01.95	98 21/32	98 23/32	8.87	8.72
15.08.98	99 11/32	99 13/32	8.95	8.84
15.02.08	100	100 1/32	9.02	8.84
15.05.18	100 21/32	100 23/32	9.04	8.91

Source: Salomon Inc.

U.S. Consumer Rates

Year	Rate	Wk. ago
1 Year	7.44%	7.44%
3 Month	7.44%	7.44%
6 Month	7.44%	7.44%
9 Month	7.44%	7.44%
1 Year	7.44%	7.44%
2 Year	7.44%	7.44%
3 Year	7.44%	7.44%
4 Year	7.44%	7.44%
5 Year	7.44%	7.44%

Source: New York Times.

Saudi Riyal Rates Stabilize

Reuters

MANAMA, Bahrain — Saudi Arabian riyal deposit rates were steady Sunday as the market settled after a burst of hectic trading prompted by an official statement ruling out a devaluation of the kingdom's currency.

The Saudi press agency issued a statement Saturday saying the government had no intention of devaluing the riyal, now pegged at 3.75 to the dollar.

Dealers said trading was light on Sunday, when many offshore players were absent.

But they said they expected another surge of activity on Monday as banks continued to unwind long dollar positions in response to the announcement, which ended two weeks of heavy speculation against the riyal.

Traders had previously borrowed dollars on the forward market amid speculation that Saudi Arabia might devalue the riyal to boost the value of its oil sales and help plug a persistent budget deficit.

On Sunday, one- to three-month deposits were indicated at Saturday's closing levels of 9.25 percent, while six-month to one-year rates were steady at 9.125 percent. Rates had moved as high as 10 percent during the week.

Wall Street Review

NYSE Most Active

Vol.	High	Low	Last	Chgs.
UCCorp	28 3/4	27 1/4	27 3/4	+ 1/4
IBM	120 1/8	119 3/8	119 3/8	—
AT&T	144 1/2	144 1/8	144 1/8	—
IBM	120 1/8	119 3/8	119 3/8	—
IBM	120 1/8	119 3/8	119 3/8	—
IBM	120 1/8	119 3/8	119 3/8	—
IBM	120 1/8	119 3/8	119 3/8	—
IBM	120 1/8	119 3/8	119 3/8	—
IBM	120 1/8	119 3/8	119 3/8	—
IBM	120 1/8	119 3/8	119 3/8	—

AMEX Most Active

Vol.	High	Low	Last	Chgs.
Wong	14 3/4	14 1/4	14 1/4	—
Wong	14 3/4	14 1/4	14 1/4	—
Wong	14 3/4	14 1/4	14 1/4	—
Wong	14 3/4	14 1/4	14 1/4	—
Wong	14 3/4	14 1/4	14 1/4	—
Wong	14 3/4	14 1/4	14 1/4	—
Wong	14 3/4	14 1/4	14 1/4	—
Wong	14 3/4	14 1/4	14 1/4	—
Wong	14 3/4	14 1/4	14 1/4	—

NYSE Sales

	Sales Vol.
Total for week	172,570,000
Week ago	174,500,000
Year ago	174,500,000
Two years ago	173,840,000
Jan 1 to date	26,342,340,000
1987 to date	21,184,490,000
1986 to date	21,184,490,000

AMEX Sales

AMERX SALES	
	Sales Vol.
Total for week	39,000,000
Week ago	49,300,000
Year ago	55,320,000
Jan 1 to date	2,182,930,000
1987 to date	3,099,120,000

NYSE Diaries

ECONOMY: A Slower Road Ahead, But Will It End in a Recession?

(Continued from page 1)

U.S. economy, as measured by gross national product, is growing more slowly. The annual growth rate has declined from 5 percent last year to between 3 and 4 percent so far in 1988.

Some recent government statistics, including those that measure retail sales, employment growth and home construction, are showing signs of weakness.

What is more, economists predict — almost unanimously — that the economy will slow to a growth rate of 2 to 3 percent in 1989. Their views show up in numerous polls.

Many of the economists also foresee a recession, starting in 1989 or 1990.

The economists offer three possible scenarios of what slower economic growth might finally produce. The outcome of one scenario is a stable economy, but the two others culminate in recession.

GOLDLOCKS ECONOMY: The "Goldilocks" scenario, as Mr. Berner of Salomon Brothers calls it, would have GNP slowing in 1989 to an annual growth rate of 2 to 2.5 percent, then maintaining this level into the 1990s. This rate is considered by many to be the maximum that the United States can sustain without inflation.

But sustaining a steady growth rate of 2 to 2.5 percent requires just the right level of domestic consumption and overseas demand for American exports.

The consensus view of most economists is that a Goldilocks economy cannot survive beyond 1990. A major reason is that the

U.S. economy might lack the flexibility to grow by more than 2.5 percent a year without a significant rise in the inflation rate, some economists say.

Alan Greenspan, chairman of the Federal Reserve Board, is among the economists warning of the shortages and inflation that might result from this squeeze.

Nevertheless, for those investors who believe that a Goldilocks economy is possible, stocks and bonds might be a good investment because their value usually goes up

But the higher rates might cause consumption to drop much more sharply than the Fed would expect, and the economy might stop growing altogether.

"I know exactly what is going to cause the next recession — when there is one — and it is going to say on its bottom, 'Made in Washington,'" said Paul A. Samuelson, the Nobel laureate in economics, referring to the Fed. Nearly every recession since World War II has been caused by the Fed pushing up interest rates.

'I know exactly what is going to cause the next recession — when there is one — and it is going to say on its bottom, 'Made in Washington.''

Paul A. Samuelson, economist.

during periods of stable economic growth.

THE FED'S RECESSION: Many economists predict that the next recession, when it comes, will be a result of Fed action taken to prevent an inflationary upsurge that would result if the economy were to expand at a 3 percent annual rate or more.

Fearing shortages and price increases because of insufficient factory capacity and too few workers, the Fed would force up interest rates. Its goal would be to discourage the borrowing that is necessary

to sustain consumption, thus forcing the economy to slow to the desired growth level of 2.5 percent.

For those expecting a Fed-induced recession next year or in 1990, one often-mentioned investment strategy is to keep savings temporarily in money market accounts or in short-term Treasury bills. Then, when rates seem to have peaked, the idea is to switch to bonds to lock in the peak rates.

NATURAL RECESSION: A few economists, however, are saying that domestic consumption and exports are already in the process of collapsing on their own, without any action by the Fed.

"Evidence of deterioration in the economy is piling up," said Eliot Janeway, an economic consultant, in a newsletter. A. Gary Shilling,

another consultant, shares this view.

If they are right, then a recession could develop without any action by the Fed. It would come because the weak demand would force companies to reduce production.

In the process, the annual inflation rate would fall from its current 4 to 5 percent range and interest rates would also decline.

For those who believe that this process is already under way, the standard investment reaction is to buy long-term bonds. The idea is to lock in the present, peak rates before they fall.

Another standard reaction is to pay off debt, out of fear of losing one's job in a recession and then not being able to maintain loan payments. But so far, there is not much evidence of this reaction.

"When people cut back on their borrowing, they do so because of income uncertainty, of which there is almost none right now," said Albert T. Sommers, a senior economist at the Conference Board, a business organization.

Mr. Samuelson is also reluctant to run for cover. "Everyone is shopping like mad for signs of economic weakness, and they do not treat even-handedly signs of strength."

But even if a recession were to occur, Mr. Samuelson said that he would not alter his basic investment strategy — the one he recommends for the National Academy of Sciences as a member of its finance committee. That strategy is to diversify one's savings, and to include in the diversification some

WORLD STOCKS IN REVIEW / Via Agence France-Presse

Amsterdam

The market was depressed last week, with prices under pressure every day but Tuesday. The ANP-CBS general index lost 10.4 points for the week to finish at 272.8.

Volume rose to 6.413 billion guilders from 6.598 billion the previous week.

Tuesday's gains were in anticipation of a victory for George Bush in the U.S. presidential elections, but the mood did not last. A weak dollar and lower Wall Street were again the main worries.

The Kampen & Co. brokerage said it saw no reason to change its very cautious view of the market.

Frankfurt

Trading was nervous and uncertain, dominated by the U.S. presidential election.

On Friday, the dollar's sharp drop depressed the market, which was already in a somber mood because of a shortage of investors.

The Commerzbank index finished the week at 1,566.2, down 44.3. Auto stocks were hit hard, with BMW dropping 20.50 DM to 517, Daimler-Benz 25 to 733, and Volkswagen 8.10 to 302. Among chemicals, Hoechst finished at 288.50, down 7, Bayer lost 10 to 289.50, and BASF shed 10.30 to close at 268.20.

In pharmaceuticals, Schering bucked the trend, adding 2 DM to the week to 570.20.

In the electrical sector, AEG dipped by 4.50 to 190 and Siemens 13.40 to 468.80.

Department stores were irregular, Hilti rising 3 to 213, but Karstadt plunging by 33 to 415.

Banks moved lower: Dresdner down 3.70 to 292.50, Commerzbank 7.80 to 236.70, and Deutsche 16.30 to 509.20.

Volumes on the eight West German exchanges totaled 14.14 billion DM, against 14.86 billion the previous week.

Hong Kong

Prices finished the week virtually unchanged, with both indexes fluctuating less than one point.

The key Hang Seng index shed 0.67 point to end the week at 2,583.74. It had dropped 29.96 points the previous week. The broader-based Hong Kong Index picked up 0.56 points over the week to close at 1,702.79. It had dropped 19.70 points the week before.

The market began on a dull note, but bargain-hunting lifted prices Tuesday. However, profit-taking on Wednesday erased all the gains. A fall Thursday, in line with Wall Street, was followed by a recovery Friday.

Average daily turnover shrank to 526.4 million Hong Kong dollars from the previous week's 712 million.

London

Stocks fluctuated irregularly downward during the week, falling for the third week in succession. The Financial Times industrial index closed at 1,461.2, off 24.4 points.

Gold mines gained ground over the week, while government bonds weakened.

The week was dominated by the U.S. presidential election. Investors awaiting results remained prudent, while the market had already chosen its candidate, Mr. Bush. With polls in his favor, the market managed to rise Tuesday.

However, Mr. Bush's election brought a sharp fall in values Wednesday morning. The massive trade and budget deficits he will have to tackle cast a shadow on the market, and the falling dollar weighed on the trend.

Elsewhere, publication of the Bank of England's quarterly statement advising restrictive monetary policies and guarding against inflation caused an already hesitant market to become depressed.

On the takeover front, conglomerate Lloyds' shares were erratic, while the market speculated about intentions of the Australian businessman Alan Bond, who holds a 20 percent stake in Lloyds.

In the brewery sector, Scottish and Newcastle's shares fell after referral of the Elders Group's hostile takeover bid to the Monopolies and Mergers Commission.

Elders reacted by buying Scottish and Newcastle shares in the hour following the referral to take its stake from 14 percent to 24. The Department of Trade and Industry requested that Elders stop buying shares.

Lloyds Bank fell on speculation that its link with Abbey Life would be blocked by Abbey shareholders. Consolidated Gold Fields made progress when Minorco announced it would keep its 29.9 percent stake in the British company.

Milan

Prices managed a slight gain for the week; the Comit index finished at 591.68, compared with 588.21 a week earlier.

Operators said the mood was uncertain. A daily average of 47 million shares changed hands, against 45 million the previous week.

Ferruzzi Agricola jumped by 7.93 percent, while Ferfin managed a 1.24 percent gain and Montedison was off 0.58 percent.

Fiat lost 0.58 percent and CIR 0.45, while Pirelli tacked on 0.20 percent. Olivetti was down 2.31 percent and Generali up 2.27 percent.

In the banking sector, Mediobanca was up 0.73 percent on the week, Comit 5.72 percent, Credito Italiano 2.40, and Banco di Roma 0.84 percent.

Paris

Bourse prices fluctuated narrowly in a week shortened by the Nov. 11 holiday. The CAC index finished at 395.6 on Thursday, against 397.1 the previous Friday.

Prices were held back by Wall Street's poor performance, despite the election of Mr. Bush. Paris analysts said there was concern about the new administration's ability to come to grips with the continuing huge U.S. trade and budget deficits. The dollar's weakness also hurt.

Continuing labor agitation in the French public sector also inhibited activity, analysts said.

Singapore

Share prices fell in dull trading on a weaker U.S. dollar and poor performance of overseas markets.

The Straits Times Industrial Index lost 13.45 points to end the week at 1,015.83. The key market barometer had fallen 6.53 points the previous week. Trading was shortened to four days because of a holiday Tuesday.

After the holiday and the U.S. election, prices rose marginally, but sentiment was not sustained and earlier gains were erased.

Volume for the week was 60.9 million shares, down from 75.9 million the week before.

Tokyo

Share prices scored, the key Nikkei average finishing at an all-time high on Friday.

The average of 225 selected issues gained 323.15 yen on Friday to close the week at 28,489.57, topping the previous record of 28,423.38 yen set on Aug. 5. For the week, the Nikkei was up 442.83 yen.

The market was closed Saturday for a business recess.

Daily volume averaged 1,027 billion shares, down from the previous week's 1.35 billion.

Zurich

Prices dropped for the week amid market surprise at the extent of the dollar's drop despite the election of Mr. Bush to the U.S. presidency.

The Credit Suisse index finished the week at 487.6, against 499.6 the previous Friday, while the Swiss Bank Corp. indicator ended at 546.3 against 559.1. Volume was low.

Euromarts At a Glance

U.S. 10 yr T-bill	Nov. 9	Nov. 10
U.S. 10 yr T-bill	8.31	8.34
U.S. 10 yr T-bill	8.31	8.34
U.S. 10 yr T-bill	8.31	8.34
U.S. 10 yr T-bill	8.31	8.34
U.S. 10 yr T-bill	8.31	8.34
U.S. 10 yr T-bill	8.31	8.34
U.S. 10 yr T-bill	8.31	8.34
U.S. 10 yr T-bill	8.31	8.34
U.S. 10 yr T-bill	8.31	8.34
U.S. 10 yr T-bill	8.31	8.34

Weekly Sales

Code	Nov. 9	Nov. 10
U.S. 10 yr T-bill	27.70	27.70
U.S. 10 yr T-bill	27.70	27.70
U.S. 10 yr T-bill	27.70	27.70
U.S. 10 yr T-bill	27.70	27.70
U.S. 10 yr T-bill	27.70	27.70
U.S. 10 yr T-bill	27.70	27.70
U.S. 10 yr T-bill	27.70	27.70
U.S. 10 yr T-bill	27.70	27.70
U.S. 10 yr T-bill	27.70	27.70
U.S. 10 yr T-bill	27.70	27.70

Libor Rates

U.S. 10 yr T-bill	Nov. 9	Nov. 10
U.S. 10 yr T-bill	8.31	8.34
U.S. 10 yr T-bill	8.31	8.34
U.S. 10 yr T-bill	8.31	8.34
U.S. 10 yr T-bill	8.31	8.34
U.S. 10 yr T-bill	8.31	8.34
U.S. 10 yr T-bill	8.31	8.34
U.S. 10 yr T-bill	8.31	8.34
U.S. 10 yr T-bill	8.31	8.34
U.S. 10 yr T-bill	8.31	8.34
U.S. 10 yr T-bill	8.31	8.34

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

Sales in 100s High Low Close Chg

(Continued)

Silicon	100	100	100	100
Silicon	100	100	100	100
Silicon	100	100	100	100
Silicon	100	100	100	100
Silicon	100	100	100	100
Silicon	100	100	100	100
Silicon	100	100	100	100
Silicon	100	100	100	100
Silicon	100	100	100	100
Silicon	100	100	100	100

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

Sales in 100s High Low Close Chg

(Continued)

Silicon	100	100	100	100
Silicon	100	100	100	100
Silicon	100	100	100	100
Silicon	100	100	100	100
Silicon	100	100	100	100
Silicon	100	100	100	100
Silicon	100	100	100	100
Silicon	100	100	100	100
Silicon	100	100	100	100
Silicon	100	100	100	100

American Exchange Options

Figures as of close of trading Friday.

Option & price	Call	Put	Option & price	Call	Put
Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988
Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988
Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988
Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988
Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988
Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988
Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988
Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988
Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988

Chicago Exchange Options

Figures as of close of trading Friday.

Option & price	Call	Put	Option & price	Call	Put
Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988
Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988
Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988
Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988
Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988
Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988
Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988
Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988
Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988	Nov. Dec. 1988

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(Continued from Back Page)

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Platinum Bulls Bet on Coins

ON SEPT. 28, at the Waldorf Astoria Hotel in New York, an unusual announcement was made. At a seminar for industry professionals, Johnson Matthey, one of the world's largest refiners of precious metals, stuck its neck out and predicted a five-year platinum shortage.

A major source for supply and demand data, the firm previously limited itself to one-year forecasts. And the market's response was almost immediate. The price of platinum, which had steadily fallen to \$485 an ounce last September from a high of \$640 in May, rose \$9. It now trades at close to \$580 an ounce.

The reason for Johnson Matthey's prediction had little to do with a surge in industrial demand or a sharp drop in mine output, the traditional explanations for market imbalances. Instead, the forecast relies heavily on the assumption that sales of the metal to investors will increase substantially, thanks to the introduction of platinum coins.

In mid-September the Australian Koala went on sale and later this month Canada will introduce a platinum Maple Leaf. These are the first platinum coins sponsored by major national governments with marketing muscle.

TO BE SURE,

Johnson Matthey is involved in the promotion and distribution of the coins. But if sales of the Koalas are an indication of how investors will greet the Maple Leaf, the company's confidence in the coins is not unfounded. Stephen Gottwald, GoldCorp Australia's North American general manager, says Koalas are selling 150 percent better than expected. At the current rate of consumption, coin promoters say investor demand will double to about 400,000 ounces within the next 12 months.

Before the success of the Koala, analysts were expecting a platinum glut, as new South African mines came on stream. Now, most agree that continued sales of the coins are the only hope the platinum industry has for averting sagging prices and an oversupply. "The debate in the platinum industry is how long investor interest can last," says Rhonda O'Connell, a precious metals analyst at Shearson Lehman Hutton in London.

Indeed, some analysts believe too much is being made of investor participation in the market. "Platinum is not like gold," argues Jeffrey Christian, managing director of CPM Group, an international precious metals research and consulting firm. "It behaves more like a commodity. And traditional buyers, trading companies and industrial users, will abandon the market at the first bump, killing off shaky, small investor demand."

IN FACT, Mr. Christian believes there is a surplus of platinum. Recycled platinum and stocks that were warehoused in the event of economic turmoil in South Africa will produce a record oversupply of 450,000 ounces in 1988, he says. "That will reverse any temporary shortage."

Moreover, although Mr. Christian believes prices may advance just beyond \$600, he believes the upswing will be short-lived and that prices will descend to a more realistic level of around \$540 per ounce by February. As the surplus increases in following months, he sees prices declining even further.

Bruce Kaplan, president of A-Mark Precious Metals, a distributor for both the Koala and the Maple Leaf, contends that those who doubt the staying power of platinum do not understand the retail coin business.

Although platinum displays the same kind of erratic price swings as other commodities and frequently falls below the price of gold, despite its greater rarity, it has a history of outperforming gold in times of high inflation. According to Mr. Kaplan, now that the Koala and Maple Leaf are making platinum widely available to small investors, it will be bought as long-term protection against inflation.

"The advent of the small investor salting these coins away regardless of fundamentals is and will continue to drive the platinum market," declares Mr. Kaplan.

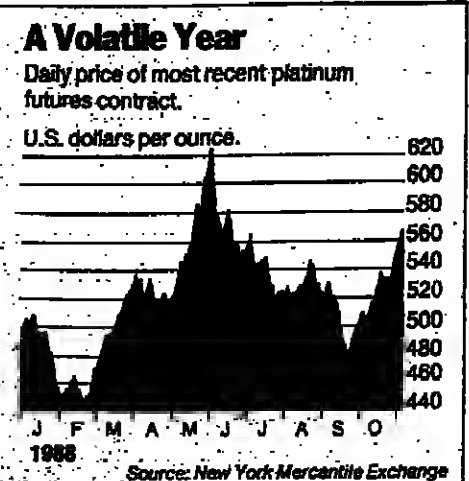
Not surprisingly, the viewpoints expressed by most analysts fall somewhere between Mr. Christian's skepticism and Mr. Kaplan's optimism. "The market is facing heavy odds, but that's not to say they'll lose," says Ms. O'Connell of Shearson Lehman Hutton.

EARLIER in the year, Ms. O'Connell predicted a 244,000-ounce surplus for 1988. She revised her supply and demand predictions as a result of the Koala's initial success and what she says was "a slight overestimate of South African platinum production." She now expects coin sales and the lower-than-expected South African output to result in a virtual balance between supply and demand for the next 18 months.

"The bottom line," says Ms. O'Connell, "is that for platinum to really establish itself as a long-term investor's metal we need a dumping good market for the next 18 months."

If that happens, a new plateau of constant investor demand could be reached, and "rather than having a glut and slumping prices, we should have a hell of a good market for the next 10 years," says Ms. O'Connell, who believes platinum will climb to \$600 per ounce by the end of the year.

David Lanchner



Coping With the Escalating Costs of Investing

U.K. investors turn to a new breed of discount brokers.

By Marybeth Nibley

PRIVATE investors in Britain must wonder sometimes if becoming a member of the share-owning public is worth the price of admission. Despite the government's promotion of stock ownership through incentives and privatizations, individuals are having a tougher time buying stocks. The reason: costs.

First came Big Bang, the deregulation of London's stock market in October 1986. Before Big Bang, private clients were subsidized by the fixed commissions paid by institutional investors. With the elimination of fixed charges, brokers pared fees to the bone to attract lucrative institutional business. But dealing costs to individuals rose.

Then came the Financial Services Act in 1988. The new law has meant a significant increase in overhead for the securities industry. Brokers complain that new regulations have increased their record-keeping requirements enormously and forced them to devote costly staff time to compliance.

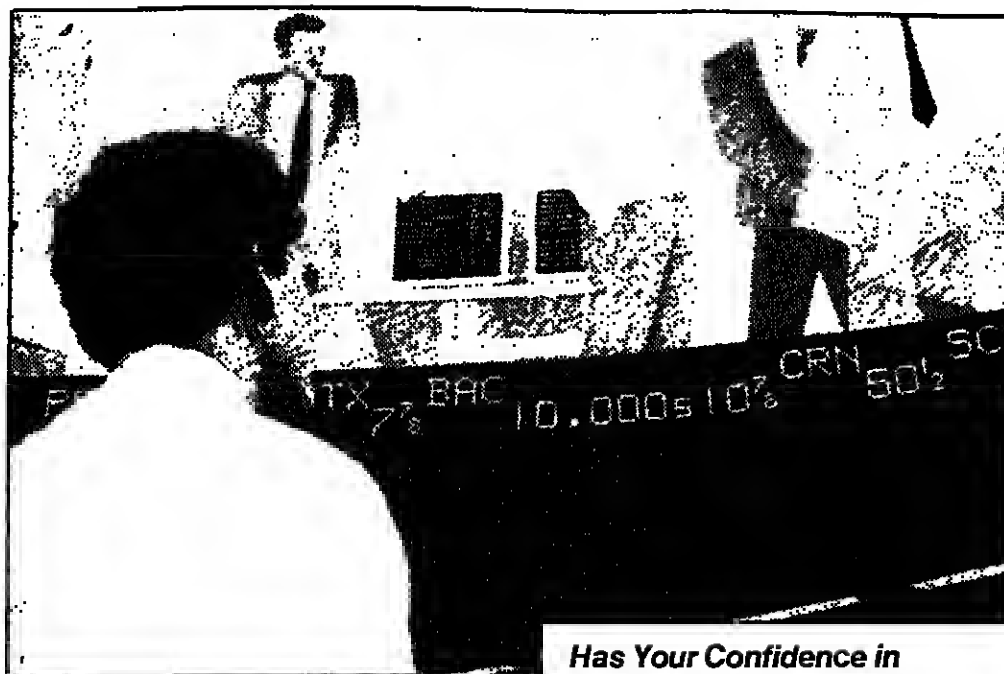
As a result, big brokerages are taking a critical look at their operations. A few, like Phillips & Drew, dropped out of the private client business altogether to focus on more profitable financial services. Others decided to serve only wealthy private customers.

Indeed, many brokerages are turning away from executing trades for individuals, preferring the economies of discretionary money management. Mercury Rowan Mullens Ltd., for example, requires a minimum investment of £50,000 (about \$90,000) for an actively managed portfolio. The firm charges a fee of £500 or 1 percent of the assets under management.

For amounts starting from £250,000, Mercury will tailor a portfolio to a client's needs. The fee is £2,500, or 1 percent of the assets. As for trades, Mercury charges a 1.65-percent commission on the first £10,000. As the volume rises, the commission declines.

Still, there are brokerage services who cater to the less affluent. For individuals who feel confident about making their own investment decisions, some of the big London-based investment houses and some of the regional brokers offer execution-only services or dealing services with a just a few frills. Also, cost-conscious investors can use telephone dealing services, but the choices are limited.

Mark Collier, director and general manager of Fidelity Portfolio Services Ltd., says their Share Service launched in June is a low-cost alternative for



A customer watches stock prices on an electronic display at a Fidelity office in midtown Manhattan.

experienced investors who watch the markets closely. "Basically we're pretty pleased with the response, considering the dull markets," he says. "We see enormous opportunities."

Fidelity has a minimum commission of £25, an amount within the range charged by competing services. Moreover, a fixed charge of £50 on deals worth between £3,900 and £20,000 makes Fidelity's one of the least expensive ways to execute moderate trades.

To hold down costs, the service is operated on a nominee basis. Clients' stock certificates are registered in the name of a nominee company, removing the need for forms to be sent back and forth between the customer and the company. And to discourage inactive investors, Fidelity levies a £20 administrative charge on any account that records less than three deals a year.

Among the telephone dealing services, Sharelink is the oldest and largest. Established in the spring of 1987, it now has more than 20,000 clients. Sharelink charges a 1.25 percent commission on transactions worth between £1,200 and £2,000 and 0.75 percent for

Continued on Page 14

U.S. investors face stiffer fees and less personal service.

By Cynthia Catterton

STUNG BY A 35 percent drop in retail trading activity since last year's crash, U.S. brokerages want the individual investor back—but not at any price.

That will be clear to investors who call their broker these days. They encounter a substantially leaner service industry geared to winning more profit out of a narrower retail customer base. At some brokerages, particularly the discounters, that translates into higher trading commissions. It also means stiffer fees on special products and less personal service for all but the biggest customers.

Of course, fee boosts by themselves are hardly unusual. Most brokerages revise their commission schedules every few years to keep up with inflation and higher overhead, and recent increases are far from staggering in percentage terms. The big difference now is that brokerages are trying to pass along higher costs to a clientele still traumatized by last year's crash. Brokerages risk giving individual investors just one more excuse to avoid the markets.

"The big question these days is when are the small investors going to come back to the market," remarks Larry W. Carroll, president of Carroll Financial Advisors, a financial planning firm in Charlotte, North Carolina. "On a percentage basis, the newer rates won't really affect investors to a great degree. But psychologically, the higher fees are a deterrent from trading in the market."

But the issue goes beyond fees. More than ever, the industry has carefully tailored the level of service to how much business the client does. Just as the securities industry has re-evaluated its relationship with the client, so should investors take a harder look at whether fee structures and service levels answer their needs.

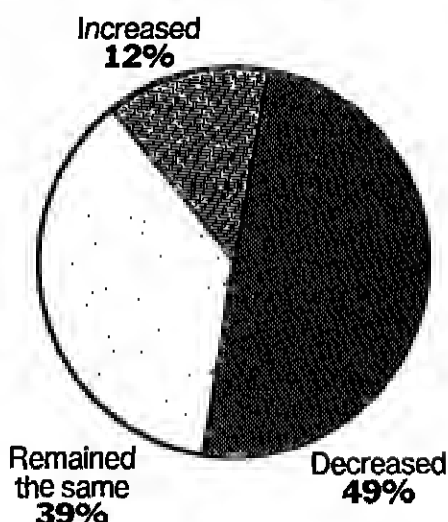
Customers who trade infrequently will find themselves increasingly shunted off to service representatives rather than professional brokers. "Instead of giving each client a personal broker, brokerages are staffing their retail offices with customer-service-oriented people," notes James B. Cloonan, president of the American Association of Individual Investors.

"The new staff is likely to be younger and trained to just answer calls and questions," he says. Seasoned professionals who make client calls with investment advice are steered instead toward the large

Continued on Page 14

Has Your Confidence in The Market Increased or Decreased Since the Crash?

Here is how 2,400 individual investors responded to that question in a survey done by Charles Schwab in September.



BONDS

The Coming Test For Junk Bonds

The market braces for a surge of new issues.

By Michael D. McNickle

MANAGERS of funds that specialize in junk bonds—those below-investment-grade securities that pay above-average yields—are wrapping up a stellar year.

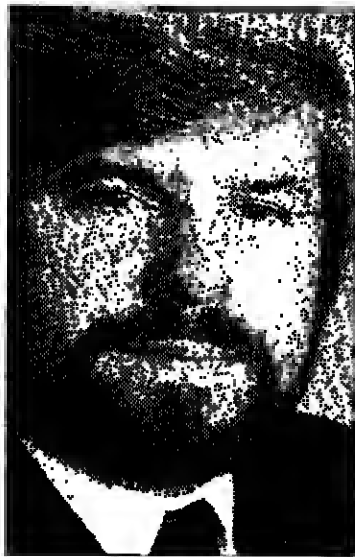
High-yield bond funds tracked by CDA Investment Technologies of Rockville, Maryland, rolled up an average total return in the first 10 months of about 12 percent, outdistancing the 7.8-percent return generated by funds that concentrate on U.S. Treasury and agency securities. Helped by such strong performance, the funds pulled in about \$3.9 billion in net sales in the first three quarters, reports the Investment Company Institute, bringing their total assets to over \$33 billion.

But in the months ahead, the junk bond market faces a test. It may be called on to digest billions of dollars of new issues that are expected to finance such mega-takeovers as RJR Nabisco, Kraft and Pillsbury.

Several of the proposed takeovers are still in the bidding stage, so the size and timing of the resulting bond issues remain uncertain. But the proposed takeovers could produce a feast of new issues in the final weeks of the year—perhaps totaling as much as \$10 billion, says John Lonski, senior economist at Moody's Investors Service. That amount is on top of the \$6 billion of new issues already on tap for November.

For the moment, junk bond specialists say the market's appetite seems up to the challenge. They note that new issues are running 20 percent off their 1987 pace. If all the deals anticipated were to come to market, 1988's total new issues would exceed 1987's \$35 billion by only \$1.7 billion.

Even the likely buyout of RJR, which alone may generate a junk bond issue of \$3 to \$5 billion, could be absorbed, says Kenneth Urbaszewski, co-manager of the \$1.1-billion Kemper High-Yield Fund. But he acknowledges that such a large issue could "be an interesting test" of the market's capacity. Currently, he is building up his holdings of high-yielding securities,



Kenneth Urbaszewski, of Kemper High-Yield Fund.

though cash still accounts for between 20 and 25 percent of his portfolio.

Beyond the supply issue, another question hanging over the market is whether Washington curbs the boom in leveraged buyouts through taxes or some other measures. But Mr. Urbaszewski says such a move could have the perverse effect of driving up junk bond prices by restricting future supply.

"It would be a big plus for the high yield market," he says.

In the longer view, the worry for investors in junk bonds is not supply, but what happens when the next recession hits. The issue goes to the heart of the risks involved in issues associated with highly leveraged takeovers.

Most of these deals make two crucial assumptions. The first is that much of the debt incurred by the surviving company will be paid off through the sale of assets. The second is that the company's cash flow will remain strong enough to meet the payments on a substantially increased debt burden.

Signs of a weakening economy could seriously undermine both assumptions, and some followers of the high-yield bond market admit it is hard to say what impact the next recession will have. Junk bond advocates have always argued that the powerful effect of compounding interest from securities yielding as much as 5 percentage points over Treasury bond yields more than offsets the effects of the occasional default. In this view, junk bonds can still consistently outperform Treasury

Continued on Page 15

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THE TRADER

Investing:
The Price
Goes Up

Continued From Page 13

er accounts that represent higher commissions. At some brokerages, the internal pay incentives have been changed to reinforce this trend. At Kidder Peabody, a trade must generate at least \$50 in commissions before the broker gets a share of the take. That is up from a minimum of \$35 last year. At Prudential Bache, the minimum amount was raised to \$60 from \$50 last year.

Much like retail banks, which lowered transaction costs by encouraging the use of automatic teller machines, brokerages are trying to promote new transaction technology. Discount Charles Schwab & Co. cuts 10 percent off its posted commission rates for customers using the company's touch-tone phone service to obtain price quotes and to place orders, rather than engaging a Schwab representative.

Such changes are just a few ways that brokerages, which have been through reeling employment cuts, hope to build up a seriously depleted bottom line. A recent Securities Industry Association report brought home the crunch. It showed the profitability of U.S. securities firms fell 50 percent in the second quarter from the first quarter, whether measured by total earnings, profit margins or return on equity.

From the investor's perspective, one crucial trend is the narrowing of differences between

The discounters' edge begins to widen with bigger trades.

charges of full service brokerages and those of the discounters. Schwab's new fee structure increased commissions an average 10 percent, while Fidelity Brokerage Service's new price structure raised fees an average 12 percent. On many smaller transactions, that just about erased the discounters' fee advantage.

Depending on the brokerage, commissions are typically based on formulas that combine factors such as the total dollar amount of the trade and the number of shares purchased. Commissions on smaller trades take a larger percent of the overall transaction than a larger order because a broker incurs fixed costs to process the trade, regardless of its size.

Schwab's commissions reflect a formula that combines a fixed rate for each of six categories based on the trade's dollar value, plus a percentage of the actual amount. For example, any trade with a value of between \$1 and \$2,500 carries a base commission of \$26. Then 1.6 percent of the actual amount traded is added to the base fee.

A trade of 100 shares of stock at \$10 shows how charges for these smaller transactions have converged at discount and full service brokerages. At Schwab, this trade would incur a flat fee of \$26 plus 1.6 percent of \$1,000, or \$16, for a total charge of \$42. At Fidelity, it would cost about \$41.75.

The same trade could be made by Prime Webber for \$41, actually less than the Schwab charge. Merrill Lynch, another full service broker, would charge \$50. This narrowing of differences just reflects the industry's general unwillingness to compete for the low-value trade.

For trades of very small value, or for those under 100 shares, called odd lots, discount brokers often charge far more than a full service firm. Trading 10 shares of a \$10 stock at Schwab, for example, costs \$39, or 39 percent of the trade's value, versus a charge of \$17 at Prime Webber. But both fees are still

Comparing 4 U.S. Brokers

No minimum commission

	No. shares	Commission	Percent of trade value
\$10 Stock	100	\$50.00	5.0%
	300	\$115.50	3.9%
	1,000	\$252.00	2.5%
\$30 Stock	100	\$85.50	2.9%
	300	\$194.50	2.2%
	1,000	\$460.00	1.5%
\$50 Stock	100	\$97.00	1.9%
	300	\$259.00	1.7%
	1,000	\$570.00	1.1%

Minimum commission \$39

	No. shares	Commission	Percent of trade value
\$10 Stock	100	\$42.00	4.2%
	300	\$69.00	2.3%
	1,000	\$99.00	1.0%
\$30 Stock	100	\$49.00	1.6%
	300	\$96.00	1.1%
	1,000	\$151.00	0.5%
\$50 Stock	100	\$49.00	1.0%
	300	\$114.00	0.8%
	1,000	\$191.00	0.4%

Minimum commission \$36

	No. shares	Commission	Percent of trade value
\$10 Stock	100	\$41.75	4.2%
	300	\$68.75	2.3%
	1,000	\$98.75	1.0%
\$30 Stock	100	\$48.00	1.6%
	300	\$95.75	1.1%
	1,000	\$150.75	0.5%
\$50 Stock	100	\$48.00	1.0%
	300	\$113.75	0.8%
	1,000	\$190.75	0.4%

Minimum commission \$35

	No. shares	Commission	Percent of trade value
\$10 Stock	100	\$35.00	3.5%
	300	\$39.80	1.3%
	1,000	\$64.00	0.6%
\$30 Stock	100	\$35.00	1.2%
	300	\$75.00	0.8%
	1,000	\$199.00	0.7%
\$50 Stock	100	\$48.44	1.0%
	300	\$108.67	0.7%
	1,000	\$149.00	0.3%

extremely steep, and investors should avoid these small-scale transactions.

An alternative for sellers of odd lots is to contact the issuing company to see whether it would be willing to buy the shares back directly. Some companies do so because eliminating odd lots cuts down on bookkeeping.

Where the discounters' edge begins to widen is with bigger trades. A trade of 300 shares of stock priced at \$30 costs about twice as much to execute at Prime Webber as it does at Schwab.

But the differences among the discounters and full service brokers on these larger trades may be less in practice, especially for active investors.

According to Mr. Carroll at Carroll Financial Advisors, active investors with \$100,000 in their account can almost certainly bargain a big discount off the posted rates from a full service broker, particularly now, when competition for trading is fierce.

"More full service brokers are giving discounts to be competitive with the discount brokers," notes Mr. Carroll. "But investors have to ask for it."

The newer rates charged by the discounters not only narrow the gap between their fees and those of the full service brokerages, they widen the distance between other, so-called bare-bones discounters that typically provide execution-only services. These discounters, which include firms such as Rose & Co., Quick & Reilly and Brown & Co., are confident that their no-frills service and low overhead will see them through without raising their rates.

"We can keep costs low because our customers do all their own work," said George A. Brown, president of Brown & Co. Securities Services, a Boston-based discount broker.

Of course, commission costs alone are not the only consideration when choosing a broker. Traditionally, full service brokers tend to charge more than discounters because they provide research and professional advice.

"If an investor needs someone to help him generate ideas for investing, then it's worth the extra cost to use full service," says Mr. Carroll. "But if he's simply looking for trade execution, there's no reason to pay more." □

U.K. Investors Turn to Discounters

Continued From Page 13

trades up to £7,000. Above this level, the commission is 0.2 percent.

David Nugent, administrator of Pillings Shareline, another telephone dealing service, says business is starting to pick up as customers regain confidence in the market.

Pillings, a Manchester firm that specializes in private clients, took on no new Shareline clients between November 1987 and February 1988. It has acquired two to three new clients this autumn.

Commissions range from 1.25 percent on the first £7,000 and 0.55 percent on trades up to £15,000. Thereafter, rates are negotiable. Some of Britain's banks and building soci-

eties offer customers a means of buying and selling stocks and other financial instruments. In most cases, the service is available only to those who have accounts at the institution.

At Barclays, clients can transact investment business through Barclaysshare, which includes an execution-only service and an advisory service that provides model portfolios for individuals and a monthly market newsletter.

Operated under a nominee system, payments are deducted directly from client accounts; dividends are also directly deposited. The minimum commission is £16.

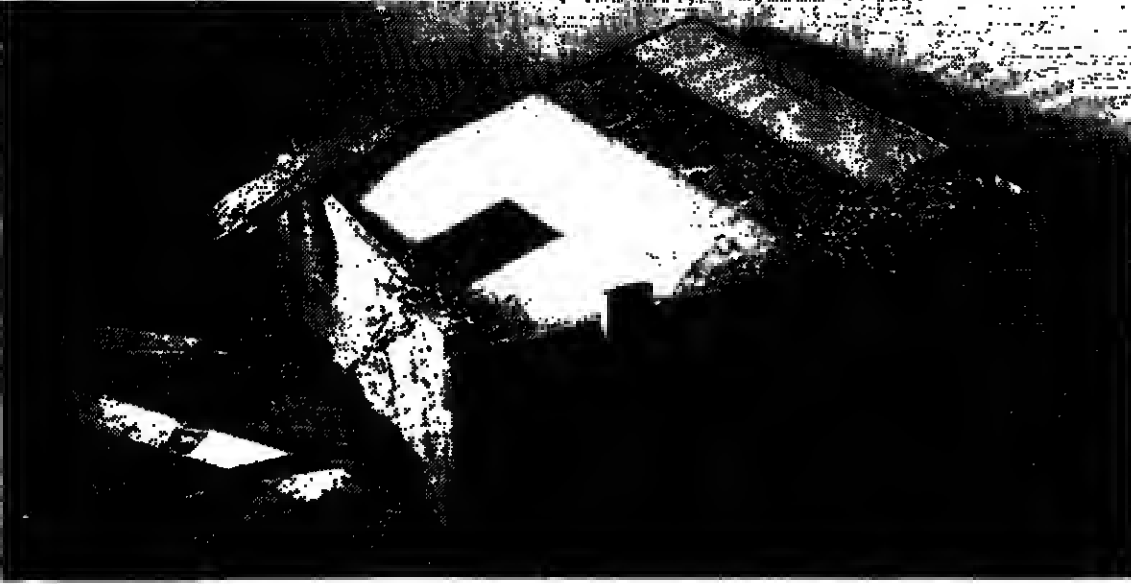
Something called "touch screen" dealing is available to customers of National Westminster Bank. Other banks have announced plans

to develop their own versions of the concept. Despite some skepticism on the part of customers, there is growing acceptance, a NatWest spokesman says. So far, the facility is available at 250 NatWest branches and there are plans to expand the network.

The key feature of touch screen dealing is that a customer can walk into a NatWest branch and watch a computer screen while an order is executed and leave knowing the details of the deal with a contract note in hand.

Currently, the service is available for trading in 100 British stocks. The minimum charge is £25. Trades below £125 are charged 20 percent of the value of the order. Commissions then decline from 1.5 percent on the first £5,000 trade to 1 percent on the next £5,000. □

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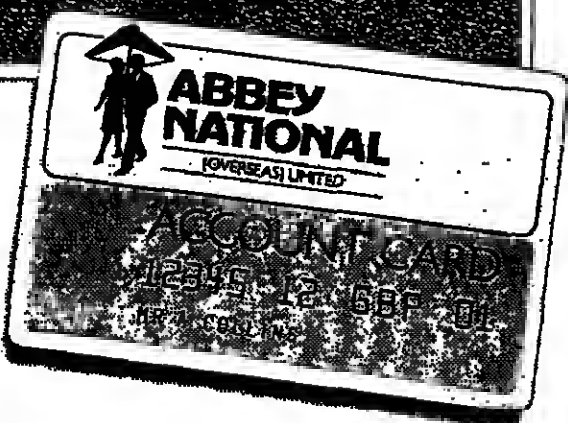
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COLLECTING

BONDS

Cult Status

The poster for the 1940 Warner Bros. classic *Casablanca* has achieved cult status. The Motion Picture Arts Gallery in New York places the value at over \$4,500.



Movie Posters' Glory Days

By Cynthia Catterson

FOR COLLECTORS who have watched with fascination as the market for movie memorabilia has grown steadily stronger and cooler over the past year, movie poster posters may be a less pricey way to participate in the current trend.

Ira Resnick, director of the Motion Picture Arts Gallery in New York, says prices for many film posters have increased steadily in the last five years. For example, posters bearing the image of Bette Davis cost about \$250 in 1980. These days, posters of the actress, depending on the importance of the film, command about \$2,000.

"Collecting movie posters is one way for people to feel like they have a part of show business history," Mr. Resnick says. "It's one thing to have a video of a classic, it's another thing to have an original piece of advertising that came directly from the studio" and in many cases, was approved by the star.

Movie posters range in price from a few dollars to a few thousand dollars. As with most collectibles, prices are determined by the vagaries of supply and demand. Further, unlike buying fine art, where the artist and his palette are key, a poster's value is gauged by the film's success, the stars who are depicted, and the overall visual appeal of the artwork.

Popular movies and celebrities are without a doubt the most collectible. A poster with Marlene Dietrich, for example, is likely to command more than 10 times the price of a poster with similar aesthetic beauty but created to advertise a B-movie with unknown actors, notes Mr. Resnick.

Other details that come into play include a poster's size. Studios produced posters in a wide range of sizes from mini-window cards that were 8.5 (22 centimeters) by 11 inches to so-called sheets. The standard poster size is one sheet, 27 by 41 inches.

While the smaller sizes are more widely collected because they can be hung in a home, they were also mass produced for distribution. As a result, the larger, six sheet renditions, measuring 81 by 81 inches, are usually more valuable.

Lobby cards, 11-by-14-inch displays that were made of light cardboard and were usually posted in a theater lobby, have gained in popularity recently.

Some cards from top films now sell in the \$1,000 range.

In general, films from the 1930s and early 1940s are the most popular and most valuable because of their rarity. Although studios at that time typically produced between 5,000 and 10,000 graphic illustrations to accompany the release of a new film, many were destroyed during the paper drives of World War II.

Furthermore, says Mr. Resnick, few theater owners considered advertisements worth saving. "No film poster was ever given credence in its day. Even in the 1930s they were thought to be advertising materials, to be used and thrown away as soon as the next movie came to town," he says.

These are some of the reasons why a rare 6-sheet poster for the 1942 Warner Bros. feature "Casablanca" fetched \$17,600 at a Guernsey's auction last year. It was the highest price ever paid at auction for a movie poster.

Posters for "Gone With the Wind," "The Wizard of Oz" and "The Maltese Falcon" are also among the most sought after. Likewise, colorful boards bearing the images of such stars as Cary Grant, Errol Flynn, Bette Davis, and Greta Garbo are hot commodities.

While many posters recall films that were hits, sometimes a poster for a box-office bomb is worth more in its after-life. The 1936 RKO Radio Pictures release "Sylvia Scarlett" was the worst disaster in the company's history and possibly the biggest flop in Katharine Hepburn's career. Yet, Mr. Resnick says the magnitude of the flop is one of the reasons why even one-sheet posters for this film are worth roughly \$2,500.

Vivid artwork that promoted horror films from the 1930s is a genre that is also popular, particularly those featuring films released by Universal Horror Pictures. Originals from "Dracula," "Frankenstein," "The Mummy" and "The Invisible Man" can go for as much as \$10,000 apiece.

Before buying any movie poster, experts advise collectors to inspect the condition of the paper, looking for signs of wear, water damage or excessive restoration. Old paper is best mounted on linen or some other material that helps control the acidity of the paper. A poster that has been dry mounted or glued to a backing could lose as much as 90 percent of its value because the glue eventually will wear through and become visible.

Convertibles: Just the Ticket for the Timid

These hybrids have appeal in uncertain times.

By David Lanchner

WHEN BLACK MONDAY rocked the stock market, convertible bonds suffered a panic similar to the one that hit over-the-counter stocks. Buyers were few and far between. Many issues fell to abnormally low valuations. And yields, traditionally lower than those offered by government and corporate bonds, rose and in some cases exceeded returns on other fixed-income securities.

Since then, however, a sense of normality has returned to the market, and convertible bonds are again being touted as the answer to a timid investor's prayers. After all, they offer the best of both worlds: steady income, like conventional bonds, and potential capital gains, like stocks.

Mutual funds that invest in convertibles, the most popular choice for individuals attracted to this hybrid security, averaged a total return of 12.1 percent in the first nine months of the year, according to Lipper Analytical Services. This surpassed the performance of all other bond fund categories as well as most stock funds.

Although the spectacular yields are gone — falling to around 7 percent a year from a post-crash high of about 10 percent — and total returns have suffered, convertible bonds remain a tempting investment for those uncertain about where the stock market is headed.

"It's a chicken share, and given the blurred outlook for the markets it's probably not a bad time to buy them," says Art Micheletti, head of fixed-income research at Bailard, Biehl and Kaiser, a money-management firm in San Mateo, California.

The convertibility feature allows investors to exchange the bonds for a fixed number of the issuer's stock if its price climbs. If the share declines, fixed returns cushion the fall.

Although prices of convertible bonds respond to changes in the underlying share's value, they do not move as far or as fast as the issuing company's common stock. Convertible prices may move 50 cents for every \$1 change in the price of the underlying stock. This is an important feature for risk-averse investors who suspect the market may be turning downward.

Investors, however, must pay for these safety features. On average, convertibles fetch a 10 percent to 30 percent premium to the price of the underlying stock. For example, a bond from Church & Dwight,

A Fund Sampler

Fund	Total Return Dec. 31-Oct. 28	Total Net Assets
Liberty Convertibles & Income	23.56%	\$9.6 million
Dreyfus Convertible Securities	22.85%	254.0 million
Heritage Convertibles Fund Inc.-Growth	18.16%	7.6 million
Fidelity Equities Inc.*	22.66%	4.1 billion
Evergreen Total Return*	16.84%	1.3 billion

* Invests in common stock and convertibles

Source: Morningstar

the makers of Arm & Hammer Baking Soda, is convertible into 55,556 shares of common stock and yields 7.8 percent per year. The current price of the bond is \$835, a 22.7 percent premium to the current market value of the common stock.

As the price of the common stock rises, this conversion premium narrows. If the stock declines, the subsequent price drop for the convertible produces a higher yield like any other bond.

Investors shopping for convertibles generally make sure that the company's shares have good prospects. They also check to see what protection there is against a call for redemption. For older convertibles with higher coupons, there may be a temptation by the issuer to refinance at a lower interest rate. Similarly, if a company's stock has risen significantly above the level it was trading at the offering, it may try to force a conversion.

Thomas Revey, managing director of Frolley, Revey Investment Co., a Los Angeles advisory firm specializing in convertibles, says investors should not buy bonds trading at more than 30 percent over par. Moreover, he says the conversion premium should never exceed two-thirds of the value of the underlying stock. In the first

instance the yield will probably be insignificant when compared with stock dividends. And in the second instance, he says the stock is unlikely to catch up with the bond premium.

Although the fact that these securities are both stocks and bonds ideally provides an escape hatch if something goes wrong in either market, Gerald Perritt, editor of *The Mutual Fund Letter*, notes that rising interest rates will depress both equity prices and bond prices.

A more fundamental flaw is that convertibles are subordinated debt, just a step above junk bonds. "If we hit a recession, investors may dump less secure convertibles," says Mr. Perritt. He adds that the recent spate of takeovers gives the low quality of the bonds even more pertinence.

A company might sell out at a price below the premium on the convertible and, if it loads up on fresh debt to do it, may ultimately not be able to pay convertible holders. "Just the worry that a heavily leveraged company will not be able to pay can devastate a bond's market price," says Mr. Perritt. He recommends only buying higher quality issues that have provisions to prevent this from happening.

Despite such potential drawbacks, ana-

lysts agree that convertibles are a safer way to play a company than buying equity. And even outspoken critics, like Mr. Perritt, believe that now may be a particularly opportune time to buy convertibles. "The strong possibility of an up market and dropping interest rates could provide the kind of double kicker that allows these bonds to do even better than stocks," he says.

ONE ISSUE that Mr. Perritt likes is from Graphics Industries, a printing company whose earnings have increased over 50 percent in the past two years. The bond sells at a 16 percent premium to the underlying stock and yields 7 percent annually. Mr. Perritt believes further earnings growth could push the stock 30 percent higher and the bond 20 percent higher within a year.

An issue that both Mr. Perritt and Mr. Revey like is IBM. The convertibles are selling at a 27 percent premium to the underlying stock and are yielding 7.5 percent annually. According to Mr. Revey, the recent restructuring at IBM will halt several years of flat earnings. "The stock price could go up as much as 37 percent, pushing the convertibles up about 25 percent."

Because of the complexities of the market, experts suggest that individuals are better off investing in convertible bond funds. But Kurt Brouwer of Brouwer & Janachowski, a San Francisco investment firm, says that investors should avoid funds that invest exclusively in convertibles.

"They put the portfolio manager in a strait jacket, forcing them to buy the bonds at times when it is not at all advantageous," he suggests buying balanced funds or income and growth funds that can invest in convertibles as well as in stocks, bonds and money market instruments.

Junk Bond Market Faces a Test

Continued From Page 13

bonds even in difficult economic climates.

Concerns about how an increase in defaults affects junk bond returns has spawned a virtual library of historical studies, yet has yielded little agreement among professionals. One problem is that the junk bond market is a fairly young phenomenon, and its structure has changed as it has grown. "This market really didn't take off until 1984," notes Mr. Lonski. "What are you really comparing this to?"

There is more than one way to calculate default rates, but Mr. Lonski reckons that in 1982, the last year of deep recession, about 4 percent of issues of "straight" junk bonds — those not convertible into equity — ran aground. But in those days the total junk bond market was only about \$18.5 billion. Forecast of default rates in the

next recession range from 5 percent to 10 percent.

Even those high rates would not necessarily spell grave problems for portfolios of high-yield securities, says Mr. Lonski. "If the fund is really well diversified, you could withstand a 5 to 10 percent default rate and still come out quite nicely," he says, assuming the recession was not much more severe than 1982's version.

The key word is diversification, says Philip Maffei, a founder of McCarthy, Crisanti and Maffei who was recently crowned the "King of Junk Research" by Institutional Investor magazine. That is why individuals should stick to funds, he cautions.

"The reasons are obvious: diversification, the professional management, and the research," he says. "If you play just one bond and you're wrong, you lose a substantial amount."

Mr. Urbaszewski has spread his holdings among about 20 issues and says he puts issues through a "stress test" to judge how they would do in the event of a recession.

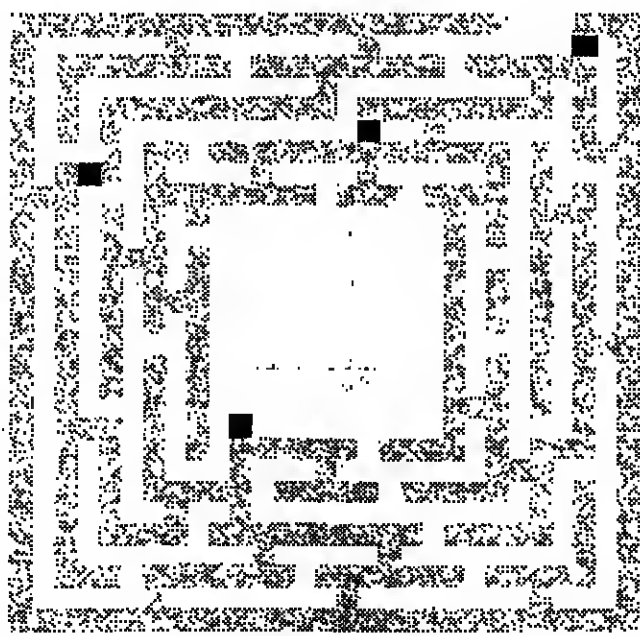
"Almost every bond we buy, we are buying even if we thought a recession would happen tomorrow," he says. "We wouldn't panic and sell it."

One example of the junk securities regarded favorably by fund managers is the recent issue by Kroger, the supermarket chain that decided to recapitalize after fending off a takeover bid.

"Kroger looks very strong," says Kevin Matthews, manager of the Van Kampen Merritt High Yield Fund.

"We like the management of Kroger, and we think they're going to be able to do the asset sales they need to do to improve the company and to get the cash flow they need," he says.

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*Source: Lipper Overseas Fund Table, 30.9.88.
†Offer to bid basis in US Dollars, gross dividends reinvested - source: Guinness Flight Fund Managers (Guernsey) Limited.

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STRATEGY

New High: A False Signal

By Bruce Hager

SHORTLY after last month's observance of Black Monday's first anniversary, there was a sudden jump in the number of stocks making new highs. The phenomenon puzzled many investors; some thought a powerful market rally was in the making. In reality, two important forces collided at the anniversary. First, the market was moving up, having recently hit a post-crash peak. At the same time, Oct. 19 marked the beginning of a new chapter in the stock market. No longer would stocks have to face an almost impossible struggle to surpass their pre-crash values to make the new highs list.

"Using the 52-week highs, you'd say, 'Gee, more stocks are moving up,'" says Robert Farrell, chief market analyst at Merrill Lynch in New York. "But it's more a function of the drop off of the prices that existed before the crash now that the 52 weeks have gotten past their October date."

As a technical indicator, analysts and investors scan the new highs list to find out which industrial groups are leading the market, as well as which individual stocks are attracting interest. Furthermore, the net difference between the number of daily new highs and new lows can tell a market forecaster something about market breadth, or whether the overall trend is up, down, or just wobbling sideways.

"If the market is making new highs, but we don't have any stocks making new highs on the list, then we don't have any strength in the market," explains Gene Jay Seagle, director of technical research for Gruntal & Co. in Stamford, Connecticut.

Why would one buy a stock on the new high list? Some technicians say the list reflects those companies with good earnings momentum and relative strength, two factors that could lead them even higher in the coming months.

On a recent day, the list featured a dozen food and beverage stocks like Borden, General Mills, Pepsi Co. and Ralston Purina.

To Eugene Peroni, director of technical research with Janney Montgomery Scott in Philadelphia, this meant that investors had targeted stocks associated with Kraft Inc. and RJR Nabisco, companies that had become the focus of takeovers, with the hopes that other food stocks would become targets as well.

Two stocks lost in the shuffle were Reynolds Metals, an aluminum manufacturer, and Melville Corp., a shoe manufacturer and retailer. Shares in both companies initially had been locked in a trading

October Market Scoreboard

Percent Change Price Oct. 31

New York Stock Exchange:

Compiled by Media General Financial Services. Prices in dollars

Capital Holding Corp.	+168	87.50	Interpublic Group	-71	10.13
Kraft Inc.	+76	103.50	Rollins Environmental	-25	11.25
Pillsbury Co.	+58	60.00	Mal Basic Four Inc.	-25	13.88
RJR Nabisco Inc.	+52	83.75	Lomas & Nettleton	-24	14.00
Chicago Pacific Corp.	+50	56.13	Finvest Foods Inc.	-23	10.13
Best Products Inc.	+38	26.88	Pinnacle West Capital	-19	17.50
Holly Farms Corp.	+30	52.25	Estelene Corp.	-19	11.50
Conseco Inc.	+27	13.50	Harcourt Jovanovich	-18	10.00
Fabri-Centers of Amer.	+24	10.25	Green Tree Accept.	-18	11.25
Ryder Co.	+23	11.25	Raychem Corp.	-17	36.13

American Stock Exchange:

Maxam Inc.	+54	23.88	Health Care REIT	-23	11.88
Ransburg Corp.	+33	15.00	SPI Pharmaceuticals	-22	10.25
TRC Cos. Inc.	+28	10.88	Larissa Industries	-18	13.50
O'Keefe Copper Co.	+28	11.50	Lorimar Telepics	-13	11.00
Frederick's of Hollywood	+26	10.38	Galaxy Carpet Mills	-13	10.25

Over the Counter:

Budget Rent A Car	+140	27.25	Rauter Inc.	-27	12.63
First Federal Savings	+45	18.13	Sigma Designs Inc.	-26	12.75
Banksec Inc.	+44	11.50	Burt-Brown Corp.	-25	11.25
Sound Warehouse Inc.	+39	17.88	Beauticontrol Cosmetic	-24	14.13
C-Cor Electronics Inc.	+38	13.75	Flight Int'l Group	-24	10.25

London Stock Exchange:

Compiled by Morgan Stanley Capital International. Prices in pence

Assoc. Newspapers	+49	754	Enterprise Oil	-15	581
Northern Engineering	+21	123	Lasmo	-16	502
Scottish and Newcastle	+19	402	Abbey Life	-10	283
Mount Charlotte	+18	164	Ultrasun	-10	242
Greenall Whitley	+17	283	McAlpine (Alfred)	-10	328
Wolseley	+17	275	Grand Metropolitan	-10	447
Tootal	+15	115	Ward White Group	-9	280
Pilkington	+13	237	Amec	-7	350
Rugby Group	+13	144	Sun Life Assurance	-6	1,023
Marley	+12	174	Amstrad	-6	204

Tokyo Stock Exchange:

Compiled by Morgan Stanley Capital International. Prices in yen

Nippon Yakin Kogyo	+61	1,500	Konica	-38	854
Osaka Gas	+39	870	Advantest	-23	4,050
Isuzu Motor	+33	959	Intec	-23	3,350
Penta Ocean Constr.	+27	1,090	Hirose Electric	-20	3,630
Kansai Electric Power	+27	3,750	Itoham Foods	-19	1,130
Shimizu Construction	+24	1,240	Yamaha Motor	-19	1,100
Toho Gas	+21	575	Mori Seiki	-18	1,880
Keihin Electric	+20	1,790	Nippon Television	-18	18,600
Mitsui Mining	+19	700	Ono Pharmaceutical	-18	4,580
Chubu Electric Power	+18	3,570	Tokoku Sen-I	-18	755

ing range, but now were being quickly scooped up.

Reynolds, a stock that Mr. Peroni recommends, first made a new high last June at \$53 a share. It then gradually moved up to \$58 last month, before falling back to \$53. Melville reached a new high last month at about \$74 a share, and Mr. Peroni believes it could continue on to \$90 over the next 12 to 18 months.

"I'm not concerned about how many stocks are making that list every day," Mr. Peroni says. "Stocks that are emerging towards making new highs are the ideal."

To most investors, the idea of buying a stock near or at its high for the year is just plain dumb. Conventional wisdom would indicate that such a stock is just as likely to fall the next day because those who hold it are going to take profits.

But Robert Nurock, publisher

of the Astute Investor, a Paoli, Pennsylvania, newsletter, disagrees. He says investors focus too much on the purchase price of stock when buying. When they see their stock's price fall, then briefly rally, he argues that investors often end up selling the stock roughly at the same level they bought it.

"When there's a substantial amount of trading in stocks at a particular price, that level becomes very significant," he explains. In theory, Mr. Nurock contends, as a stock's price rises, the number of sellers declines so that there is more of a chance for volatility on the upside.

Indeed, studies have shown that some stocks selling near their highs are often ripe for further upward moves. This is particularly true at the beginning of bull market cycles, when the new highs list becomes a shopping list for investors seeking stocks with price mo-

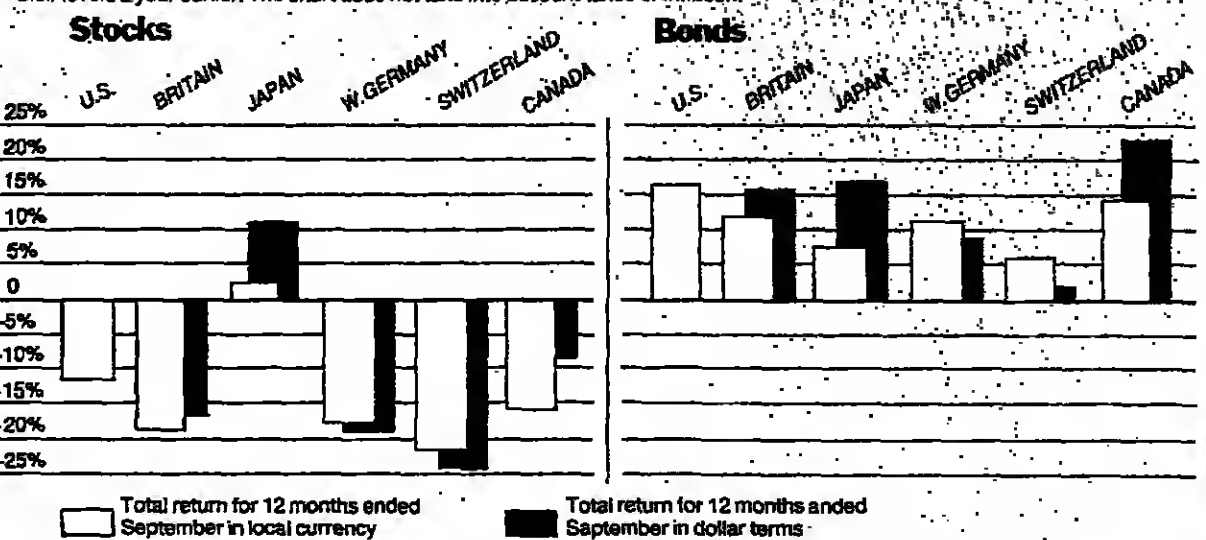
mentum. But the data can apply to flat markets as well.

Marc Reingans, professor of finance at the University of Iowa, studied the greatest stock market winners from 1970 to 1983 to determine what they had in common. From this he formulated nine screens for picking future stock market winners, including buying shares within 15 percent of their highs within the past two years. "It looks like one way to summarize is to buy high, sell higher," he says.

Despite the 25 percent advance in the Dow Jones Industrial average since Oct. 19, 1987, many technicians have found that the new highs list does not portend a near-term rally. During a normal bull market, about 25 percent of the New York Stock Exchange shares will be peaking each week. That number has lately been around 150 and falling.

Total Return for 12 Months

Total return measures both the changes in the prices of securities and the income they provide, either in dividends or interest. Gains or losses were measured by comparing market indexes with their levels a year earlier. The chart does not take into account taxes or inflation.



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MONDAY SPORTS

SIDELINES

Top-Earner Alysheba Is Set to Retire

LOUISVILLE, Kentucky (AP) — One week after becoming horse racing's all-time money winner, Alysheba will retire as a stud on a farm near here, his owners have announced.

"Of course, we'll certainly miss him," trainer Jack Van Berg said in a statement Saturday. "But we're doing what we feel is best for the horse."

The 1987 Kentucky Derby winner won the \$3 million Breeders' Cup Classic on Nov. 5, passing John Henry's \$6,597,947 in earnings with \$6,679,242. The horse's owners, Dorothy and Pamela Scharbauer, said Alysheba would retire at William S. Farish's Lane's End Farm.

Kansas Case Is Closed, NCAA Says

MISSION, Kansas (AP) — The NCAA has said that it will not reopen its investigation of Kansas' basketball program. Last week, the Jayhawks were put on probation for three years for recruiting violations, and were barred from defending their title as national champion.

Sports Illustrated magazine said last week that other violations may have occurred regarding loans to players from Mike Marshall, a former player at Kansas.

David Best, head of NCAA enforcement, said Friday, "The recently completed infractions case involving Kansas will not be reopened on the basis of information currently available concerning reports of alleged improprieties published in the Nov. 14 issue of Sports Illustrated."

French Assail Soccer Player's Status

PARIS (Reuters) — Yugoslav midfielder Susic, who is to play against France in the World Cup even though he became a naturalized Frenchman last month, has become the center of a soccer storm.

The president of the French Football Federation, Jean Fourmet-Fayard, criticized the authorities in a radio interview Saturday for giving Susic what he called a naturalization of convenience. Susic, 33, who joined the Paris Saint-Germain team in 1982, obtained dual nationality in October, enabling his club to sign another foreign player. Under league rules, only two foreigners can play on the same team.

Last week, Susic was named to the Yugoslav squad that will play France in Belgrade on Saturday. Under international rules, soccer players can represent only one country during their careers.

Kim and Sanabria Win Title Bout

SEOUL (Combined Dispatches) — Kim Yong Gang of South Korea has easily won the first challenge to his World Boxing Council flyweight title, battering Emil Matushima of Japan to a unanimous decision. The victory on Saturday boosted Kim's career record to 18-0, while Matushima fell to 12-5-1.

On Friday in Gravelines, France, Jose Sanabria of Venezuela successfully defended his International Boxing Federation junior featherweight title with a technical knockout of Thierry Jacob of France in the sixth round. Sanabria is now 17-2-2, while Jacob fell to 18-3. (AP, UPI)

For the Record

Danny Manning, the former Kansas basketball star, has signed a five-year, \$10.5 million contract with the Los Angeles Clippers of the National Basketball Association.

Despite suffering jet lag after 20 hours of flying, it was the Soviet National Team that made the University of North Carolina basketball team look tired on Saturday. Arvidas Sabonis scored 11 of his 23 points in the final seven minutes to lift the Soviets to a 104-93 exhibition basketball victory over the Tar Heels.

Mike Tyson, the heavyweight boxing champion, and his wife, the actress Robin Givens, have discussed dissolving their nine-month marriage with a quick Dominican Republic divorce, Tyson's lawyer said. (AP)

Quotable

Orel Hershey of the Los Angeles Dodgers on receiving the National League Cy Young Award: "I worked hard with the talent I was given and everything just worked out perfectly — my career will go downhill from here."

Prost Beats Senna In Last Turbo Race

Compiled by Our Staff From Dispatches

ADELAIDE, Australia — Ending an era of turbocharged Formula One racing, Alain Prost of France won the Australian Grand Prix on Sunday as his McLaren-Honda teammate, Ayrton Senna, who already has been crowned world champion, finished second.

It was Prost's second triumph on the Australian street circuit after his 1986 victory in Adelaide, and it boosted his already record career total to 35 victories.

Prost completed the 82-lap, 309.9 kilometer (193-mile) race the last of the 1988 season — in 1 hour, 53 minutes, 14.67 seconds, with Senna, a Brazilian, trailing by more than 36 seconds.

"I really wanted to win," Prost said afterward. "Ayrton was the only problem for me today."

Senna already had clinched his first world championship by winning the Japanese Grand Prix on Oct. 30.

Prost also clocked the fastest lap of the race, 1:21.216, an average

speed of 167.553 kph (104.11 mph) on the 59th lap.

Nelson Piquet of Brazil, the departing World Champion, brought his Lotus-Honda into third place, with Riccardo Patrese of Italy finishing fourth in his Judd-powered Williams. Only seven cars finished the race.

It was Patrese's 176th grand prix, which equaled the record for most grand prix races driven.

The one-two result topped off a stunningly successful year for the McLaren team, which won 15 of the year's 16 grand prix races. The team claimed the constructors' championship with a total of 199 points, with its nearest rival, Ferrari, notching 65.

For Prost, the victory Sunday was his seventh of the year, while Senna had eight victories. Only Gerhard Berger of Austria managed to grab a victory from the McLaren season, when he drove his Ferrari to victory at the Italian Grand Prix at Monza. Both McLarens failed to finish that race. The Australian Grand Prix



Senna wrapped a congratulatory arm around Prost on Sunday.

marked the end of an era in Formula One — it was the last appearance of turbocharged engines in the formula. Next season, all cars will be restricted to normally aspirated engines.

Senna warmly congratulated Prost with a hug after the race. It was run in hot, overcast conditions, and the race provided a surprise right at the start when Prost, who was beaten to pole position by Senna, swept past the Brazilian to take the lead.

Prost led for the first 13 laps, lost

Now a Final Score: Japan 0, Majors 0

By Fred Hiatt

Washington Post Service

TOKYO — Ask Fred McGriff if they play serious

ball in the Japanese big leagues.

McGriff, player of the year for the Toronto Blue Jays this

season, filed to center field and

struck out three times against

four different Japanese pitchers

on Sunday in the final game of a

seven-game match between

major league all-stars from

North America and Japan

league all-stars. McGriff ended

the series a lullaby 0-for-16,

with six strikeouts.

And he wasn't alone in his

futility Sunday, as the Japanese

aces shut down the major

leaguers on five hits. Fortunately

for the North Americans, the

Japanese couldn't score either,

and the game ended in a 0-0 tie,

leaving the Americans with a 3-

2 edge in the series, with two

ties.

Yes, ties. Japanese rules al-

low games to end even once a

time limit is reached, and it had

been decided not to play extra

innings during this exhibition

series. Sunday's game, in any

case, had to be finished before

the all-stars' trans-Pacific flight

home.

But Sunday's matching shut-

outs gave Japan something of a

moral victory in the weeklong

goodwill series.

The U.S. squad this year

maintained the undefeated re-

cord of visiting U.S. squads, but

no Japanese team has ever come

closer to winning. In 1986, the

most recent previous tour, the

Japanese finished with one win

and six losses.

This time, they had the satisfac-

tion of scoring against "Mr.

Zero," Orel Hershey, the Cy

Young award-winner who re-

turned home with an unfamiliar

earned-run average of 7.34.

Hershey, before leaving early

to help care for an ill infant son

at home, was the center of at-

tention for the Japanese press,

both because of his string of

shutout innings for the Los An-

geles Dodgers and because he

dangled the possibility — al-

ways helpful for contract ne-

gotiations — of coming to Japan

to pitch for a season.

The Japanese had the satisfac-

tion of winning the first

game with a "seasonal hit," as a

mini-inning game-winner is

known here. Kazuhiko Ishi-

mine of the Hankyu Braves sin-

gled home the winning run

against San Diego's relief ace,

Mark Davis.

And Sunday, the home team

had the satisfaction of seeing

speedster Vince Coleman of the

St. Louis Cardinals picked off

at first base, as the impressive

right-hander of the Yomiuri Gi-

ants, Masumi Kuwata, whirled

on the mound and lunged

Coleman out to dry.

The U.S. squad, led by the

Detroit Tigers manager, Sparky

Anderson, agreed that the Ja-

panese pitchers were the stars

of the local squad.

"Their pitching has been real

strong," Hershey told reporters

early in the week.

Indeed, the Americans man-

aged only seven home runs in

the seven games, two of them by

outfielder Ellis Burks of the

Boston Red Sox, and they

struck out 42 times, including

nine strikeouts in Sunday's

shutout.

After losing the first game 2-

1 and watching the Japanese

come back with two runs in the

ninth inning to tie the second

game 6-6, the major leaguers

shook off their jet lag and won

the next three games, 16-8, 8-2

and 5-1.

In game six, the Japanese re-

laxed from a 3-0 deficit to score

five runs in the sixth and sev-

enth innings and hold on for a

5-4 win.

The U.S. squad seemed to

have a good time in Japan. But

they also seemed, for the most

part, to be playing to win. And

at times they showed the best

American baseball — Dave

Henderson nailing a runner at

third with a perfect peg, on the

fly, from right field; Paul Mol-

itor laying a bunt down the

third-base line and hustling to

first for a base hit; Barry Lar-

kin, the series MVP, batting

nearly 500.

Still, when Ellis Burks struck

out swinging to end the U.S.

ninth on Sunday, it was the Ja-

panese who had won.

U.S. and Soviets Near a Steroids Accord

The Associated Press

MINNEAPOLIS — The Olympic committees from the United States and the Soviet Union are nearing completion of an anti-doping exchange program in which athletes from both countries would be uniformly tested for steroids year-round and with little notice, according to the president of the U.S. Olympic Committee, Robert Hemick.

Hemick told the U.S. Olympic Committee's executive board on Saturday that he and three other USOC delegates, including Edwin Moses, the Olympic hurdler, would travel to the Soviet Union next week to discuss the proposal.

"We hope to actually have the major points of protocol established, including exchange of technical information and year-round, short-notice testing," Hemick said of the objectives for the trip.

He said he hoped to present a firm proposal to the USOC delegates in February.

Steroids probably would be the only drugs tested for, he said.

Currently, U.S. athletes are test-



Ben Johnson resumed workouts last week in Toronto despite various bans on his competing.

taking steroids during the off season but not taking them before events in which there will be testing, Hemick said.

Moses said the USOC and the Olympic committees of other nations hurried into action on a standardized, anti-doping program after Ben Johnson, the Canadian sprinter, tested positive for steroids after winning the 100-meter dash at the Seoul Olympics.

"I think they have to standardize the whole testing procedure," Moses said. "We have to come to one general conclusion — one set of rules that all people can go by."

Hemick said Marat Gramov, president of the national Olympic committee in the Soviet Union, informed him that the Soviets were interested in the exchange because Soviet athletes want a guarantee that American athletes will not use steroids if the Soviets stop using the drug.

"I said, 'That's interesting, because that's exactly what our athletes ask us,'" Hemick said.

The biggest hurdle appears to be finding a system that will not vio-

DENNIS THE MENACE



"CHEER UP, MR. WILSON! I'M NO SPRING CHICKEN EITHER!"

JUMBLE

THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

Unscramble these four Jumbles one letter to each square, to form four ordinary words.

ALLEG

SOOME

YARFER

CHUPIC

Answer here: _____

Friday's Jumbles: FLAKE BLOOM FUTURE TONGUE

Answer: How to arrange a "flour" is — GET A "MUFFIN"

(Answers tomorrow)

ACROSS

1 Size of a Marm

PGA tournament

6 Declare

10 Intention

13 Sun-dried brick

15 — time (never)

16 Connors of concern to carpenters

18 Shakespearean king

19 Kind of well

20 Capital of Cuba

22 Building wing

23 Chewy candy

24 Wanders

26 Recording ribbon

29 Acknowledges

30 Double-bogey on a par-five hole

31 Australian bird

34 British Open champ 1988

35 Chemical suffix

38 October birthstones

40 Prong

41 Cuts off

42 Spinel, e.g.

44 House-to-house poll

46 — Simpson, Southern Open champ 1985

48 Woodwind player

50 Sketching material

52 Evaluate

53 Lawful

55 Hole-in-one golf scores

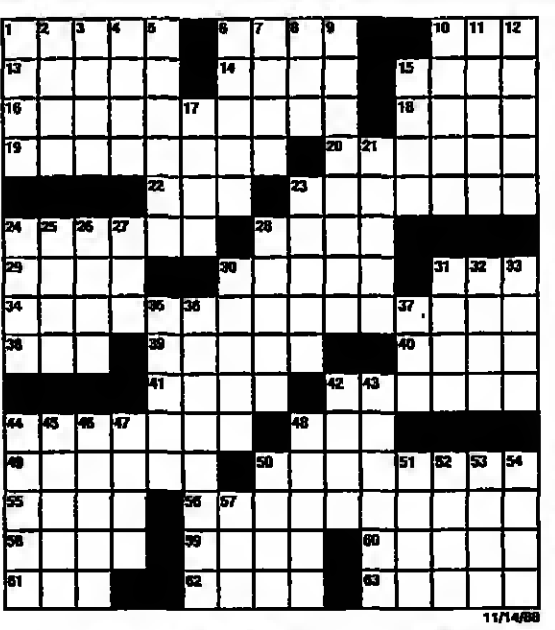
58 Level

60 Sink

61 Cover

62 Withered

63 Hourly



© New York Times, edited by Eugene Malachuk.

DOWN

21 Where there no Ten Commandments

22 Groceries

24 Outer-space agency

25 Pizzeria feature

26 Change location

27 Profound respect

28 Relates

30 Smacks

31 Laprechaun's land

32 Cosmocean Modelene

33 Heres

35 Gauchos' weapons

36 Christ's followers

37 Seventh Greek letter

42 The Great Commoner

43 Mischievous

MONDAY SPORTS

West Virginia and Southern Cal Stay Unbeaten

Compiled by Our Staff From Dispatches

WEST VIRGINIA — Rutgers, a team that has posted more wins than any other in the nation, briefly reached a plateau on Saturday against West Virginia.

Playing an undefeated team ranked No. 4, Rutgers held a 10-7 lead for 56 seconds in the second quarter. But then the predictable happened and the Mountaineers of West Virginia rolled to a 35-25 victory, their 10th of the season without a loss.

The Scarlet Knights, losing for the sixth time in 10 games, gave the Mountaineers a workout on an afternoon when Rutgers' leading offensive player, quarterback Scott Etnyre, was off his game.

Etnyre completed only six of 19 passes and had three interceptions before being replaced by Tom Tarver in the fourth quarter.

Tarver led his team to two touchdowns after West Virginia had gone ahead, 35-13.

Meanwhile, Major Harris, West Virginia's quarterback, tallied 73 yards rushing and passed for 130 yards and one touchdown.

Etnyre's first pass was intercepted by safety Darrell Whitmore, whose 34-yard return earned a touchdown, putting West Virginia ahead, 7-0, after 64 seconds of play.

But Rutgers returned the kickoff 92 yards for a Rutgers touchdown and the score was tied, 7-7.

The Mountaineers (10-0), hoping for a showdown in the Fiesta Bowl with No. 1 Notre Dame, finish their regular season at home against Syracuse next Saturday. Notre Dame (9-0) was idle on Saturday.

Elsewhere, No. 3 Miami was idle, Army beat Vanderbilt 24-19, and Pennsylvania downed Harvard 52-13 to clinch a share of the Ivy League title.

Southern Cal 50, Arizona State 9. In Tempe, Arizona, Rodney

Peele threw for a career-high 361 yards and three first-half touchdowns as No. 2 Southern Cal vented a decade of frustration against Arizona State.

The Trojans (9-0, 7-0) head into next week's showdown with No. 6 UCLA for the Pacific-10 Conference title and Rose Bowl berth.

Florida State 41, Virginia Tech 14. In Tallahassee, Florida, No. 5 Florida State (9-1) broke open a close game with 20 points in the third quarter, as Chip Ferguson and Peter Willis threw touchdown passes and Marion Butts scored on a one-yard run.

UCLA 27, Stanford 17. In Pasadena, California, defensive tackle Mike Lodish stole the ball from Stanford quarterback Brian Johnson and ran 17 yards for a touchdown in the third quarter to put the Bruins ahead for good. No. 6 UCLA (9-1, 6-1) set the stage for next Saturday's showdown game with Southern Cal.

The winner will play Michigan in the Rose Bowl.

Nebraska 7, Colorado 0. In Lincoln, Nebraska, Ken Clark rushed for 165 yards and scored the game's only score in the third quarter to lead No. 7 Nebraska (10-1) past No. 19 Colorado.

Oklahoma 16, Missouri 7. In Columbia, Missouri, Charles Thompson directed three first-half scoring drives and No. 8 Oklahoma held on for its 30th straight Big Eight victory, Oklahoma (9-1, 6-0) took a 16-0 lead early in the second quarter as Missouri had four turnovers and a punt blocked.

Auburn 28, Georgia 10. In Auburn, Alabama, Reggie Slack threw two touchdowns passes as No. 9 Auburn knocked No. 17 Georgia out of the Southeastern Conference race and kept its title hopes alive.

The Tigers (9-1, 5-1) can gain a share of the SEC championship with No. 12 Louisiana State by beating Alabama in Birmingham on Nov. 25.

Arkansas 25, Texas A&M 20. In Fayetteville, Arkansas, Kendall Trainor kicked five field goals and the defense added two scores as the No. 11 Razorbacks (10-0, 7-0) edged past the Aggies. Trainor's fifth field goal, an 18-yarder with

4:30 left, made it 25-14. Robert Wilson of the Aggies scored from the three with 53 seconds left.

LSU 20, Mississippi St. 3. In Starkville, Mississippi, Greg Jackson returned an interception 100 yards as No. 12 Louisiana State clinched a share of the Southeastern Conference title. LSU (7-2, 6-1) is battling with No. 9 Auburn for a berth in the Sugar Bowl.

Michigan 38, Illinois 9. In Ann Arbor, Michigan, the No. 13 Wolverines clinched their fourth Rose Bowl berth in the 1980s as Leroy Hoard rushed for 137 yards and two touchdowns. Michigan (7-2-1, 6-0-1), which concludes the regular season next week at Ohio State, clinched the Big Ten title.

Oklahoma State 63, Kansas 24. In Stillwater, Oklahoma, Barry Sanders rushed for 312 yards and five touchdowns to set NCAA single-season records for TDs and points. Sanders, who carried 37



Michigan's Leroy Hoard had to carry the ball and Chris Green of Illinois on the way to 137 yards total rushing and two touchdowns.

Houston 34, Wyoming 10: In Houston, quarterbacks for No. 10 Wyoming were sacked 16 times, including six by tackle Glenn Montgomery, as the Cougars returned the nation's No. 1 offense to a halt. Reggie Burnette added three sacks, intercepted a pass and recovered a fumble as the Cougars (7-2) handed the Western Athletic Conference champion Cowboys (10-1) their first loss.

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Bears Hold Down Redskins, 34-14

The Associated Press

WASHINGTON — Touchdown runs by Mike Tomczak and Matt Suhey helped Chicago take a 20-0 halftime lead as the Bears gave coach Mike Ditka a welcome-back gift with a 34-14 National Football League victory Sunday over the Washington Redskins.

The Bears limited the defending Super Bowl champions to 49 yards in the first half and forced starting

quarterback Doug Williams out of the game early in the third quarter. Williams completed only six of 19 passes for 69 yards. His replacement, Mark Rypien, threw touchdown passes to Ricky Sanders and Gary Clark, but had four interceptions.

While Bears defensive coordinator Vince Tobin handled most of the coaching duties, Ditka was on the sideline for the first time since a heart attack Nov. 2.

The Bears scored on their first possession, with Tomczak accounting for all 78 yards in the six-play drive. He threw two passes to Dennis Century for 63 yards and ended the march with a quarterback sneak.

Chicago made it 14-0 in the second quarter when Suhey capped an 80-yard drive with a three-yard run.

Kevin Butler added two field goals later in the quarter to give the Bears a 20-0 cushion.

Rypien got the Redskins to within 20-7 by throwing for 87 yards in his first series. The highlight of the drive was a 40-yard completion to Art Monk, who made a diving catch behind Chicago cornerback Mike Richardson.

Three plays later, Rypien flipped a four-yard pass to Sanders in the left corner of the end zone.

But the Bears wrapped things up early in the fourth quarter.

Patriots, 14, Jets 13: In East Rutherford, New Jersey, New England's big-play defense forced three turnovers and John Stephens scored the winning touchdown with 6:48 remaining as New England defeated the New York Jets.

Trailing 3-0, the Patriots turned the game around on the first play of the second half. Larry McGrew picked off Ken O'Brien's pass and, on the next play, Doug Flutie hit Stanley Morgan for a 19-yard touchdown.

Stephens' scoring sweep came from the three at the end of a 58-yard, 10-play drive.

Bucs 23, Bears 20: In Pontiac, Michigan, Tampa Bay crawled out of the NFC Central basement when Donald Igwebuike kicked a 52-yard field goal with 10 seconds remaining to beat Detroit.

The teams were tied going into the fourth quarter, and a 38-yard field goal by Eddie Murray put Detroit ahead 13-10. Lars Tate scored on a five-yard run and Igwebuike kicked a 22-yarder to put the Bucs ahead 20-13 with 2:10 remaining.

With Rusty Hilger completing four of five passes for 46 yards, the Lions went 70 yards in seven plays, tying the game on a 19-yard touchdown pass from Hilger to Garry James with 45 seconds left.

Chargers 10, Falcons 7: In Atlanta, Rod Bernstine raced 57 yards with a short pass to set up Barry Redden's five-yard touchdown run as San Diego snapped a six-game losing streak by beating Atlanta.

Redden caught the pass from Mark Vlasic at the San Diego 35, broke two tackles near midfield and raced to the Atlanta 14 before Robert Moore made the tackle.

Tim Spencer then ran for five yards and Gary Anderson for four before Redden scored with 4:32 left in the game.

Colts 20, Packers 13: In Green Bay, Wisconsin, Chris Chandler passed for two touchdowns and Indianapolis stopped a last-second drive at the two to beat Green Bay.

The Colts' Harvey Armstrong batted down a Don Majkowski pass on the final play as the Packers drove from the Indianapolis 49-yard line after recovering an onside kick with 37 seconds left.

Eagles 27, Steelers 26: In Pittsburgh, Luis Zendejas kicked an 18-yard field goal with 1:15 left as Philadelphia, helped by two Pittsburgh penalties that led to Randall Cunningham scoring runs, rallied from behind four times to beat the Steelers.

Cunningham ran for touchdowns of 12 and 7 yards and set up Zendejas' game-winning field goal with a 41-yard completion to Chris Carter.

Chiefs 31, Bengals 28: In Kansas City, Missouri, Albert Lewis began a Kansas City comeback by blocking a punt, then recovered a fumble to set the stage for Nick Lowery's fifth field goal, a 39-yarder with two seconds left that boosted Kansas over Cincinnati.

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In the Bowls, Color Michigan Rose

The Associated Press

While invitations to the bowl games do not officially come out until Saturday, several universities already know where they are heading.

Michigan will play in the Rose Bowl for the fourth time this decade, while West Virginia appears to be heading for the Fiesta Bowl against Notre Dame.

Michigan clinched its berth by defeating Illinois on Saturday. The Wolverines will play the winner of the Pacific-10 championship game Saturday between UCLA and USC.

Clemson goes to the Florida Citrus Bowl. It will play the loser of this week's Nebraska-Oklahoma game; the winner will go to the Orange Bowl against Miami.

Arkansas will play either UCLA or Florida State in the Cotton Bowl.

Beating Georgia, Auburn can still gain at least a share of the Southeastern Conference title if it beats Alabama, and keep alive its hopes of playing in the Sugar Bowl.

LSU clinched a share of the SEC title by beating Mississippi State.

If the two tie for the SEC title, the Sugar Bowl committee will choose the league's representative for the Sugar Bowl in New Orleans. Southern Cal or Florida State will be the opponent.

Georgia will probably go to the Gator Bowl and play either Michigan State, Pittsburgh, or Colorado.

Elsewhere, Syracuse appeared to be bound for the Hall of Fame Bowl against either LSU or Auburn.

Iowa appears a good bet to play in the Peach Bowl.

South Carolina is probably assured of a spot in the Liberty Bowl against Indiana.

After defeating Vanderbilt, Army appears to be headed for the Sun Bowl against Alabama.

Florida should get a berth in the All American Bowl against either Michigan State or Illinois.

Oklahoma State, after downing Kansas, will probably play Wyoming in the Holiday Bowl.

Tennis Pros Convince Europeans

Reuters

ZURICH — The directors of many of Europe's tennis tournaments have decided to side with the professional tennis players and join the breakaway Association of Tennis Professionals Tour in 1990.

Franco Bartoni of Italy, chairman of the newly formed Pro Tennis Europe — an association of European tournament directors — said Saturday after a meeting here that the decision was unanimous.

"The present Grand Prix tournaments in Europe will remain on the 1990 schedule," he said. "The future of the Grand Slam events in Wimbledon and Paris will no doubt be the subject of further discussion."

Bartoni said that the 34-member meeting named him in represent European interests in future talks with the recognized tennis bodies.

"Our first meeting with ATP will be in New York before the Masters tournament at the end of the month," he said.

An ATP official, Ray Moore, who was in Zurich for the meeting, said that he had outlined the association's plans for 1990 and that these were well received.

"Our schedule for 1990 envisages 19 tournaments at the top level," he said. "While there is room for compromise on other things, we will stick to that."

SCOREBOARD

BASKETBALL

NBA Standings

EASTERN CONFERENCE

Atlantic Division

Team	W	L	Pct.	GB
New York	2	2	.500	0
New Jersey	2	2	.500	0
Philadelphia	2	2	.500	0
Charlotte	1	3	.250	2 1/2
Washington	1	4	.200	2 1/2

Central Division

Team	W	L	Pct.	GB
Cleveland	4	0	1.000	0
Indiana	3	1	.750	1 1/2
Atlanta	3	2	.600	1 1/2
Chicago	3	2	.600	1 1/2
Orlando	1	4	.200	3 1/2

WESTERN CONFERENCE

Midwest Division

Team	W	L	Pct.	GB
Dallas	4	0	1.000	0
Denver	4	0	1.000	0
Utah	3	1	.750	1 1/2
San Antonio	2	2	.500	1 1/2
Phoenix	2	2	.500	1 1/2

Pacific Division

Team	W	L	Pct.	GB
L.A. Lakers	4	0	1.000	0
Golden State	3	2	.600	1 1/2
Seattle	3	2	.600	1 1/2
Portland	2	2	.500	1 1/2
L.A. Clippers	2	2	.500	1 1/2

FRIDAY'S RESULTS

Team	W	L	Pct.	GB
Atlanta	2	2	.500	0
Philadelphia	2	2	.500	0
Hawkins	2	2	.500	0
Charlotte	2	2	.500	0
Washington	2	2	.500	0

SATURDAY'S RESULTS

Team	W	L	Pct.	GB
Atlanta	2	2	.500	0
Philadelphia	2	2	.500	0
Hawkins	2	2	.500	0
Charlotte	2	2	.500	0
Washington	2	2	.500	0

HOCKEY

National Hockey League Standings

WALDES CONFERENCE

Patrick Division

Team	W	L	T	Pts	GF	GA
N.Y. Rangers	7	3	0	14	60	40
Pittsburgh	7	3				

Touring Battlegrounds: A Prosperous Business

International Herald Tribune
SANDWICH, England — Major Tomie Holt and his wife, Valmai, might be one of the most successful of England's tour operators, with a steady stream of tourists flocking to their company, a brand new blue Jaguar for Tomie, and salmon

MARY BLUME

mousse at the pub. But if they are models of modern entrepreneurship, they are also the creators of Major and Mrs. Holt's Battlefield Tours, which go everywhere from Troy to Fortresses Falklands.

Major and Mrs. Holt began 12 years ago with a tour across the channel to the battlefields and beaches of World War I and II. "If we had been professional travel people we would never have been successful," Major Tomie says. "But we happen to have a personal interest in the period so we put it together as a theatrical experience."

"At the Somme, you know we had 60,000 casualties there in one day. I always have this ridiculous feeling that one day I'll go there and find it was all a bad dream because surely it could not have been that terrible. How did people bear it and bear to go back in battle the next day and the next? How did they endure it?"

This summer the Hols led their new tour, "Oh What a Littered War," to the World War battlefields and cemeteries connected with England's soldier poets. This autumn, thanks to Major and Mrs. Holt's Battlefield Tours, 14 World War veterans, the oldest 97½ years old, returned to the fields they had not seen since the war's end.

Last week, to commemorate the 70th anniversary of the armistice

of Nov. 11, 1918, the Hols led a convoy of five buses holding 200 people to the Ypres salient in Belgium, where they heard the Last Post played at the Menin Gate and attended services at St. George's Memorial Church, built after the war for the use of the many ex-servicemen who had been hired to disinter their fallen comrades and bury them in proper graves.

The Hols pack up their kit bags and smile smile across the world: There are tours to China, Gibraltar, North Africa, Waterloo, Singapore, and to the site of the Italian World War I disaster at Caporetto, made famous in Hemingway's "Farewell to Arms."

A planned trip to Burma and the River Kwai may have to be put off, but Major and Mrs. Holt's travels (they never call them tourists or customers) can study the zebras at Masai, the United Nations troops at the Yalu River in Korea, and the Blues and Grays on Sherman's march to the sea. If there is sufficient demand, and they think there will be, the Hols will organize a trip to Vietnam.

If he had stayed in the army, in which he served as an engineer, Major Tomie says he would just be retiring as a general. "It would have been dreadful," he says. Both Hols have always been interested in writing and in amateur theatricals and they bring to their tours minute-by-minute scripting and visuals in which every effect is planned. The planning is essential, so is the fact that the tours are run by couples (there are now four ex-officers and wives helping the Hols out).

Men often come alone the first time, Valmai says, then when they see there are women along they bring their wives next time. "The hotel is nice and there is a chance for a dress-up if you want to put on a dress," Major Tomie says.

"It takes a major to come with us because first of all the subject is military, so it tends in people's minds to be rather rectangular and dark," he said.

"Some people study military history without considering that

young men were at the sharp end," Valmai said. "Some people can read military history without thinking it involves people being hurt and they love battle plans and blue and red arrows on maps. But that is not our way of presenting war, you can sit at home and do that. We want you to go home knowing what Tomie Atkins felt like sitting in a muddy trench."

Poems are read, songs sung, pictures flashed on the bus's video, and dried food packets and trench periscopes passed around. In the evenings there is talk, and with luck, a spot of argument over the meat and two veg (the Hols have found it best to stick to English-style dinners).

"We really do provoke people to react, we may swing the pendulum one day and swing it back the next day in order to get people to take part," Major Tomie said. "We wouldn't quite be doing like this but to illustrate my point, we might start off a World War II tour by emphasizing the things that Adolf Hitler did for Germany in the 1930s that were beneficial, like the unemployment situation and discipline on the streets."

The following day you redress the balance by emphasizing all those things he did which were bad." The Hols still take out 20 tours a year themselves, the most exhausting of which was a group of American former war correspondents at the invasion beaches of Normandy who brought bottles and kept demanding telephones to call in their stories. Sometimes they just go off on a tour on their own. "A year without going to Normandy and the landing beaches, a year without going to Ypres is unthinkable," Valmai said. The day we go to a battlefield, we don't actually feel anything, we'll stop," said Major Tomie.

Their offices in a disused building on the main street of Sandwich in Kent are filled with floppy disks and staff members who are trained to smile into the telephone and remember people's names. The Hols reckon that they have a nucleus of four or five thousand travelers who take an

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annual tour and about 500 who make two or three tours a year.

To encourage the club spirit, travelers are given service badges that indicate how many Hols Battlefield Tours they have been on. One man is a veteran of 40 trips: "Six Days on the Somme, which is done twice a year, has no space until 1990."

The Hols write guidebooks and sell maps and souvenirs and their own regimental tie and travel kit decorated with their personal logo. They also offer a service for those who want to locate and visit war graves outside the United Kingdom.

One area that they have avoided is naval battles. "I think there's something on the ground," Valmai said, "a museum or a dugout or a trench line or a memorial."

"When you come down to the bottom line the tours are about conflict and ultimate death in many cases and it's right and proper that at some stage we stop and remember that formally in some way," said Major Tomie, "placing a

wreath or standing silently at someone's headstone. And it's very important that we do that. Yes of course we enjoy ourselves, we laugh and we have fun just as they did in wartime. At some time there has to be that remembrance and we do it quite formally."

At last Friday's Armistice commemoration at Ypres, the major gave a toast at the final luncheon.

"People come on the tours for various reasons," he said. "Some have come because they know something about it and want to know more, some know a bit about it and want to know more. Some had parents or grandparents in the war. Some come because they're peacekeepers, some collect badges, some have seen a film. Lots of reasons and it's very difficult to find a toast that encompasses all, so we propose a toast that we think is likely to bring everybody together. And it is simply, To absent friends."

"Absent friends does seem to sum it up."

LANGUAGE

Sound Bite, Define Yourself!

By William Safire

WASHINGTON — When, weeks from now, the "sound bite" or "sound bite" history of the 1988 campaign is written, what word or phrase will emerge as the favorite locution of the election? What short, punchy sound bite most helps this campaign to define itself?

It's a tie. Sorry, George Bush's *fortnight* and I am that man are fading, though we may hear more from a thousand points of light. Michael Dukakis's *rough choices and competence*, *not ideology* are down the memory drain; among pundits, the *polling bounce* or *post-convention bump* faded fast, while tired spin doctors have long ago thrown their *spending caps* in the air.

The joint winners of cliché of the election year are *sound bite* and the reflexive use of *define*.

A *sound bite*, as every news junkie and couch potato knows, is a snippet of film that catches the rhetorical highlight of a speech, a quotation that is bright, snappy and memorable, and never mind the boring profundity.

Who coined the phrase and when? I am distressed to report that my fellow etymologists are at a loss for words (good title for a book on uncertain etymology). The first citation is dated June 22, 1960, in a piece by Sandy Kyle Bain in The Washington Post reporting on the education in television being given candidates by William F. Buckley. "Remember that any editor watching," he said, "needs a concise, 30-second sound bite. Anything more than that, you're losing them."

That was not the sound of a phrase being coined; it was the sound of a locution known to insiders and experts being spoken to outsiders.

For an earlier citation, I reached to London, to the newly computerized Oxford English Dictionary. Surely, that venerable but vital institution, on the verge of publishing an updated amalgamation of its masterpiece and its supplements, would have a trade-press use.

No luck; the best their editors could offer was Rhatigan, 1980. I called Bill Rhatigan, now senior vice president for public affairs of the Advertising Council.

"I doubt that I coined it," said Rhatigan, obviously a believer in truth-in-advertising. "The phrase was in the air. I used it in a lecture I gave in the mid-70s advising political candidates on the use of television: If you wander all over the place in your statements, you won't provide a sound bite for TV."

That puts us in the mid-70s; to reach back further, I called Dan Schorr, now senior news analyst for National Public Radio, who remembered its use in the early 1960s when he was with CBS News. "It came out of the editing room, in the days before videotape. When the producer saw the excerpt he wanted, he'd tell the film editor, 'Take that bite'; out of longer interviews, the bite would be 30 to 45 seconds."

But why *sound bite*? If it was film, why not *sight bite*, which was also a rhyme? Would it not, as some have guessed, have come out of radio?

Sid Davis, a veteran NBC radio newsman who is now with the Voice of America, waves me off that line of folk etymology. "In radio, we called the short live takes *actualities*. I think *sound bites* came in during the early '70s, in the transition from film to tape. A piece of film was a clip, but a piece of tape was a *bite*."

Avoid orthographic confusion: spell it *bite*, the sort

you would take out of an apple or a piece of tape, and not *byte*, a computer term, of uncertain origin, for "character" (and send that etymon in if you have it, too), which in turn is confused with *bit*, a smaller unit of information, a shortening of *binary digit*.

The term may be used affectionately by news editors, but is often used decisively by at-down commentators. In 1984, television's Roger Mudd denounced a campaign he felt was made up of "sound bites and photo opportunities" (the latter, a Ron Ziegler coinage). In 1983, when Senator Lloyd Bentsen savaged Senator Dan Quayle with his "you're no Jack Kennedy" riposte, ABC's Jeff Greenfield used the term with a neutral connotation: "the biggest sound bite of the night."

But print journalists, who have been using shorter quotes themselves, like to sneer at television coverage as a collection of inconsequential, sensationalistic, sloganeering *sound bites*.

Now to the co-winner, the reflexive use of *define*. A reflexive verb takes both a subject and object with the same referents, as when a winning debater tells his handlers, "I defined myself," and the loser admits in private, "I slobbered myself."

The new president shyly and attractively defined himself, wrote The Washington Post about Jimmy Carter's Inaugural Address in 1977. The New York Times, exactly four years later, wrote of Ronald Reagan, "But in defining himself to the world, the 40th president of the United States chose the role of moderate in a script of gradualism."

"This convention," wrote John Balzar of the Los Angeles Times from Atlanta in July, "has had the purpose of introducing Dukakis to the public." Then the reporter showed his sensitivity to cliché: "Defining himself, as they say in political argot." A refinement came in defining oneself against or relative to someone else: "Michael Dukakis has been allowed to define himself relative to Jack Jackson," complained New Hampshire's Republican Governor John H. Sununu to the newsmen Jim Lehrer in June.

The vague *define* is not always used reflexively. The Democratic pollster Peter D. Hart used its present participle, *defining*, to modify event, thus describing a major change that produces political results.

And George Bush, in debate, held that "what I've had to do is to define not just my position, but to define his."

What does the word mean? ("OK, lexicographer, *define define*.") One sense is "to state the meaning of another," to characterize, to describe the essential quality; a third is "to delimit, specify, fix the boundaries, make clear the edges." In its reflexive political use, *to define yourself* means "to set forth your goals and values vividly," or in less idealistic terms, "to sharpen the impression of your personality and approach in a way that is memorably appealing to most voters."

Nobody ever said such self-portraiture was easy. While Dukakis failed to define himself until the last stages of his campaign, Bush redefined himself from wimp to tiger — in what must have been a wrenching psychological effort.

Alan Watts, the American philosopher and writer on Zen, was quoted in 1961: "Trying to define yourself is like trying to bite your own teeth."

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